

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523-B

UK state industries:  
what the figures  
fail to tell, Page 8

## NEWS SUMMARY

### DeLorean not guilty

John DeLorean was acquitted on eight charges of conspiracy to smuggle drugs by a jury in Los Angeles. The decision followed 59 days of testimony. The former General Motors executive and owner of collapsed sports car venture faced a maximum sentence of 67 years in prison and a \$185,000 fine. DeLorean's lawyers said that he had been entrapped by government agents. The jury's verdict was unanimous.

#### GENERAL

### Gandhi opponent sacked

India's flamboyant film star politician, N.T. Rama Rao, was dismissed and briefly arrested, giving India a new political crisis ahead of national elections. Page 3

In an interview in a film studio in Hyderabad Rao told the Financial Times of his anger at Mrs Gandhi's move to oust him from power.

Mrs Gandhi is surprising even her supporters with the crude and brutal way in which she is removing her opponents before the mid-January election. Page 10

#### Treaty terms

Morocco and Libya will retain their sovereignty and institutions when a union treaty between them comes into effect after a referendum.

#### U.N. refused access

U.N. said Israeli troops in southern Lebanon have refused its observers access to a border area where Israeli workers have begun fencing off Lebanese territory.

#### Lange to tour

New Zealand Premier David Lange is to visit London next month. He said he hoped his new Labour Government would introduce legislation making New Zealand a nuclear-free zone.

#### Job cuts criticised

The French Communist Party stepped up attacks on the Government's tough fight on job cuts in state-owned industries. Page 2

#### Vessel damaged

Cypriot ship was severely damaged by a mine in the Red Sea. It was the 19th explosion reported in the southern approaches to the Suez Canal. Page 3

#### Peace talks

Sri Lanka's largest Tamil party is considering whether to take part in government sponsored peace talks after recent disturbances.

#### Space rendezvous

An unmanned Soviet spacecraft carrying supplies for three cosmonauts on board Soyuz-7 docked automatically with the space station.

#### Coal job losses

Large-scale job losses are likely in the UK coal mining industry because underground conditions at many pits have deteriorated during the 23-week-old strike, according to the National Coal Board. Page 2

#### Strike looms

A strike at Lufthansa moved closer when pilots and cabin staff rejected a compromise proposal on pay and conditions by an official mediator. Page 2

#### Death at SA riot

A second black South African student died during rioting at a college near Pretoria after being hit by a police plastic bullet. Page 3

#### Oil rig fire

At least 31 people drowned when a lifeboat evacuating oil workers from a burning offshore drilling platform, on Brazil's south-east continental shelf, overturned in heavy seas.

#### Compensation

The U.S. will pay \$1.5m in compensation for damage caused during its invasion of Grenada last year.

#### BUSINESS

### Philips doubles profit

PHILIPS, Dutch electronics group, increased earnings by 110 per cent to £1,944m (\$1,682m) in first half, putting it well on the way to full-year target of £1.1bn. Page 10

DOLLAR lost ground in London to DM 2.8545 (DM 2.8715). SwFr 2.374 (SwFr 2.4085), FFf 8.785 (FFf 8.83) and ¥240.45 (¥241.8). On Bank of England figures its trade-weighted index fell from 136.6 to 135.8. In New York it closed at DM 2.8592, SwFr 2.3810, FFf 8.7725 and ¥241.32. Page 29

STERLING rose 75 points in London to \$1.3275. It was also higher at ¥319.5 (¥319.25) but slipped to DM 3.7025 (DM 3.6), FFf 11.835 (FFf 11.875) and SwFr 3.1525 (SwFr 3.1825). Its trade-weighted index was unchanged at 78.7. In New York it closed at \$1.3245. Page 29

GOLD rose \$0.25 on the London bullion market to \$352.25. It also rose to \$322.15 in Frankfurt and Zurich. In New York the Comex August settlement was \$350.90. Page 28

U.S. MONEY SUPPLY: M1 rose \$3.2bn in the week ending August 16.

WALL STREET: The Dow Jones industrial average closed 10.16 up at 1299.14. Section III

LONDON gilts recouped early losses after dealing rate cuts. Equities were unsettled and the FT Industrial Ordinary index fell 7.5 to 894.1. Section III

TOKYO stocks drew further selling, taking the Nikkei-Dow market average 23.26 lower at 10,416.24. Section III

PAYMENT of \$1bn to Boeing of the U.S. and Rolls-Royce of Britain for 10 747 jets being purchased by Saudi, the Saudi Arabian state airline, will be through a "major banking institution" under the oil barter agreement concluded earlier this year. Boeing and Rolls-Royce will receive the full purchase price for the aircraft, RB-211 engines worth \$300m and spares through progress payments and in cash on final deliveries.

INFLATION in Turkey is slowing and foreign investments are increasing said Prime Minister Turgut Ozal. Page 2

FAN AM applied to a New York court for a temporary restraining order to stop its workers striking against plans to freeze pension benefits. Page 4

U.S. housing construction fell by 6.8 per cent last month, with a particularly sharp drop in building starts for single-family homes. Page 4

MEXICO will spend \$1.7bn this year and next to develop its mineral resources.

AUSTRIAN business and industry was thrown into confusion by cuts in export incentives proposed in next Tuesday's budget.

INTERNATIONAL HARVESTER, U.S. farm machinery and truck group, said it was close to signing a deal under which Paris would help to provide state loans for its loss-making French subsidiary. Page 10

SCANDINAVIAN Trading Company, the oil trading subsidiary of the Volvo car group, showed a SKr 71m (\$8.5m) profit for the first six months compared with a SKr 268m loss last year. Page 11

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

## U.S. plans special debt issues for foreign investors

BY PAUL TAYLOR AND WILLIAM HALL IN NEW YORK

THE U.S. Treasury plans to target special issues of government securities to foreign investors, Mr Donald Regan Treasury Secretary, announced yesterday. However, Mr Regan ruled out - at least for the moment - the issue of government paper in unregistered (bearer) form.

The new issues, which could come as early as next month, are part of a major package of innovative measures designed to encourage the purchase of U.S. securities by foreigners free from withholding tax, thereby reducing the cost of financing the U.S. budget deficit.

Credit markets welcomed the package. The new long bond, Treasury 12½ per cent, 2014, jumped by more than 1¼ points to 100½. The general response was that the new measures might encourage further foreign demand for U.S. government paper.

Several elements of the package remain unclear, however. In particular, the Treasury has yet to decide whether to ban further issues of repackaged government paper in bearer form by the major Wall Street firms, similar to those made last week by Salomon Brothers and

Merrill Lynch in the wake of the successful quarterly refunding. Other major elements of the package are:

● U.S. Government-sponsored enterprises such as the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the farm credit system will be allowed to issue specially targeted issues in registered form to foreign investors, similar to those planned by the Treasury.

● No U.S. Government issues will be made in bearer form - those in which ownership is not registered - but the Treasury will review this decision as it relates to Government-sponsored agencies in October 1985.

● U.S. corporations will be allowed to issue debt securities to foreign investors in bearer form. However, any U.S. citizen who subsequently purchases such an issue would be required to register it.

● The Treasury plans to "test-market" a 20-year bond with a five-year call option. This would give the Treasury the option to refinance such an issue any time after five years, should interest rates decline.

● While the Treasury has no immediate plans to issue zero coupon bonds itself, Mr Regan announced a number of changes to "increase the efficiency of the new market for zero coupon securities." Specifically, the Treasury plans to make the interest payments on certain of its securities available for separate trading on the book/entry system after initial sale.

● The targeted issues of government paper to foreign investors, which will be made in conjunction with its regular auctions, will have an annual interest payment, while these securities sold to U.S. investors will have the traditional semi-annual interest payments.

The package of Treasury proposals follows the decision last month by Congress to repeal the 30 per cent withholding tax imposed on foreign investors as part of an effort to boost the overseas sale of U.S. government paper.

Mr Regan said, "I think these new securities and innovations will help the Treasury considerably in fulfilling its many obligations."

Continued on Page 10

Market reaction, Pages 19, 30; Housing starts fall, Page 4

## UK banks get signal to reduce interest rates

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE Bank of England made a cautious signal yesterday that it wants banks to make further cuts in their base lending rates either today or early next week.

It lowered the dealing rates at which it lends money to the banking system by ¼ percentage point, encouraged, perhaps by Treasury figures which showed that public borrowing was significantly lower in July than had been expected.

It is now generally expected that a further ½ percentage point cut in the Bank's dealing rates today will give the "all-clear" to major banks to lower their base rates from 11 to 10½ per cent.

However, the Bank's decision to move its rates by only ¼ point after last week's rapid fall of 1 percentage point in two days, appears to indicate that the authorities want to rein back the market's expectations.

The gilt-edged securities market, was encouraged by the Bank's move and the borrowing figures, although prices had been marked down at the start of the day. A steady performance by sterling on the foreign exchange markets was generally seen as improving the chances of a cut in base rates.

The Treasury's figures showed that the public sector borrowing requirement (PSBR) fell to £57bn (\$74.1m) in July, compared with an average of £1.57bn a month in the first three months of the financial year.

The drop reflected buoyant revenues in the month and is seen as confirming the Chancellor's view

that the Government is on target for a borrowing requirement of £7.2bn for the financial year.

The figures show that departmental spending in the first four months of the financial year was 7½ per cent higher than in the same period last year.

However, the Treasury does not appear unduly worried by the pace of spending in the early months which it expects to slow later in the year.

Figures independent from the Bank of England confirmed that the money supply growth returned to its target range in July, with sterling M3 (cash plus bank deposits) rising at an annualised rate of 9.1 per cent in the five months from February.

Lex, Page 10

## Polish pledge to repay \$100m if U.S. lifts trade sanctions

BY LESLIE COLLITT IN WARSAW

POLAND IS prepared to pay \$100m to the U.S. in outstanding arrears on debt principle and interest due since 1981 if Washington agrees to remove all sanctions against Poland linked with trade and lifts its ban on fresh loans to Warsaw.

The U.S. Administration has said it would end economic sanctions when it is satisfied that the Polish amnesty has led to the release of all political prisoners.

Mr Zbigniew Karcz, a senior Polish finance official, who heads the Foreign Relations Department of the Finance Ministry, said the payment and the removal of sanctions could be carried out in "parallel, unlinked moves" in order to save face for both sides.

The Warsaw Government's refusal to pay Washington part of the principle due on Poland's 1981 debt and on the interest arrears due since 1981 has blocked talks in the Paris Club to reschedule Poland's official debt to the West of \$12bn.

Mr Karcz repeated Poland's desire to "rejoin" the International Monetary Fund (IMF) - it was a

member until 1946 - but suggested it did not expect agreement on its application until next year.

"We are of course interested in the positive intervention of the IMF as soon as possible," he remarked.

Joining the IMF would not only open a new source of credits but could also help restore the banking and business community's confidence in Poland, he said.

His Government had never refused payment to the U.S. of outstanding arrears but the official called it "absurd" that a creditor country, instead of assisting the debtor, made "many moves against its economic development."

Mr Karcz suggested a solution could be found "in the next few weeks" as the Paris Club is scheduled to meet again in early September with Bank Handlowy, Poland's foreign trade bank.

Mr Karcz said the \$200m U.S. share of the 1981 \$2bn rescheduling of Poland's official debt was "penalty" compared with the \$12bn owed to all Western governments. West Germany holds some 20 per

cent of the debt, France 15 per cent, Austria 10 per cent, Italy and the UK about 8 per cent each.

The "most optimistic timing" is that it will take three to four months to achieve a rescheduling agreement, but he added that "political objections" by the U.S. could halt the process.

Poland stopped payments on its official debt in the wake of U.S. sanctions and a Nato ban on loans to Poland which were imposed after martial law was proclaimed in December 1981.

Mr Karcz said Poland's repayments burden was temporarily lessened by the ban on new credits which included U.S. Department of Agriculture loans for vital fodder, and by the loss of most favoured nation trade status in the U.S.

He noted that the rescheduling conditions Poland will now present are harsher than they would have been in 1982 or last year.

"And they will be still worse next year if we don't reach agreement," he said.

## Société Générale to seek private capital

By David Marsh in Paris

SOCIÉTÉ Générale, the third largest French nationalised bank, plans to put a significant proportion of its capital back into private hands through the issue of non-voting "investment certificates."

The issue, for which the bank will be seeking Government approval next month, represents the most adventurous step yet by France's largely state-owned banking sector to strengthen capital resources by calling on private sector funds.

The planned transaction would have the effect of raising the bank's present nominal equity capital of FFf 1.14bn (\$129m) by up to 33 per cent or FFf 380m - the first capital rise subscribed by private investors since the Socialist Government's widespread nationalisation moves of February 1982.

The move by Société Générale follows a range of similar initiatives taken by other nationalised banks this year to launch non-voting loan stock or *titres participatifs* (TPs) as a way of raising capital resources without seeking recourse to increasingly scarce state funds. Such issues have been made by Banque Nationale de Paris, Banque Indosuez and Credit Commercial de France, among other institutions.

The project to issue investment certificates (*certificats d'investissements* or CIs), however, takes the measures to introduce private capital into the banks a step further. CIs are viewed as being closer to equity financing than TPs as they actually bring about an increase in the bank's capital, and carry a dividend closely linked to the financial performance of the bank.

An official at Société Générale, which like the other Big Three Banks was nationalised in 1983, said the CIs would offer all the advantages of shares apart from the right to vote, which will thus be maintained 100 per cent in state hands.

Dividend payments on CIs would be at a privileged rate compared with those on shares owned by the state. All the big French banks in recent years have made only modest payments to their state shareholder to compensate for the lack of government capital injections.

The bank has not yet decided either on the timing or the amount of a future CI issue. The launch would raise considerably more than the nominal value of the issue, as the certificates would be sold at a considerable premium over the nominal price of FFf 100 each.

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## ICL accepts £411m offer from STC

BY ALEXANDER NICOLL IN LONDON

ICL, Britain's largest computer manufacturer, ended a week's hard bargaining yesterday by agreeing to a £411m (\$542m) takeover bid from Standard Telephones and Cables, the UK telecommunications and electronics group.

STC last month launched a "dawn raid" which netted 9.8 per cent of the computer group, followed immediately by a £350m bid which ICL swiftly rejected as "totally inadequate."

ICL, however, has never publicly questioned STC's argument that the technologies of the communications and computer industries are converging.

Negotiations on an increase in STC's bid began last week and culminated on Wednesday with an all-night session from which a higher offer emerged yesterday with the recommendation of ICL's board, which is chaired by Sir Michael Edwards.

Terms of the offer are one new STC share for three ICL - against two-for-seven previously - with a cash alternative of 80p applying to only half ICL's shares instead of the previous offer of 77p for all of them.

STC shares fell to 574p yesterday, valuing the share offer at 91p for each ICL share. The computer group's shares were unchanged at 87p.

Sir Kenneth Corfield, STC chairman, is expected to invite Mr Robb Wilmot, ICL managing director, to be an STC director. Mr Wilmot has led a turnaround in the computer group's fortunes since it was rescued by the UK Government in 1981.

Sir Michael, the former BL chairman who only recently assumed the chair at ICL, is not expected to play a role in the combined group.

Provided no other bidder emerges - and none is expected - ICL will become an operating division of STC, whose annual turnover will double to about £1bn. Mr Ted Newman, STC treasurer said yesterday that STC planned to boost ICL's turnover especially through sales of smaller computers.

ICL, Britain's only maker of large "mainframe" computers, has a technology agreement with Fujitsu of Japan which is seen as crucial to its continued production of such models. Fujitsu has described the merger plans as "constructive," Mr Newman said.

STC is 35 per cent owned by IIT of the U.S., formerly its sole owner, and the merger plans have aroused fears in the British Labour Party that ICL technology would flow out of the UK.

STC has sought to counter this with an assurance that IIT and ICL will not have access to each other's technology.

Lex, Page 10

## Bull takes European lead from Olivetti

BY GUY DE JONQUIERES IN LONDON

BULL OF FRANCE has become the largest European-owned computer manufacturer, displacing Olivetti of Italy, according to a survey conducted by Logica, the British computer services firm.

The survey, published in the U.S. magazine *Datamation*, also finds that IBM of the U.S. has further increased its lead over its main competitors in Europe.

Measured in dollars, IBM's European data processing revenues of \$10.7bn last year represented 42 per cent of the \$25.6bn total sales reported by the 25 largest computer companies operating in Europe. IBM's share was 40 per cent in 1982 and 36 per cent in 1981.

A series of takeovers of smaller companies, part of the French government-inspired reorganisation of its electronics industry, contributed

to Bull's rise to second position from fourth in 1982.

Bull's turnover last year rose 33 per cent, measured in French francs, and 14 per cent in dollars. However, it is still making losses and has received large capital injections from the French Government.

Olivetti's fall to fourth place from second last year is partly due to the exclusion this year of electronic typewriters from the business activities covered by the *Datamation* survey. Olivetti's annual typewriter sales are almost \$200m.

The survey includes companies' revenues from data communications equipment, computer peripherals, terminals, software, services, maintenance and repair. It Continued on Page 10

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# EUROPEAN NEWS

## Annual inflation rate falls in France despite July surge

By DAVID MARSH IN PARIS

FRANCE'S annual rate of retail price inflation fell to 7.5 per cent in July from 7.7 per cent in June in spite of a sharp increase in July, but the rate was below the monthly increase of 0.9 per cent last July, and represented the lowest July rise since 1975, excluding periods of price freeze.

Accelerating prices last month were due above all to the big jump in petrol prices introduced in mid-July to increase tax revenue. Higher rents as well as the general boost to prices during the French holiday season were other factors behind the surge, which was more pronounced than many had expected.

August prices will also be boosted by another round of petrol increases as well as dearer tariffs for telephone calls and public transport brought in at the beginning of the month.

The Government has postponed until next year its hope of 5 per cent inflation. It is sticking instead to the latest forecasts by the official statistics institute, Insee, of a 6.7 per cent rate this year.

French inflation is now at the lowest for 11 years but the rate of price increases is still around double the annual increase in West Germany, which the foreign exchange markets believe will soon start to put pressure again on the franc against the D-Mark.

## Communists keep up fire on government policy

By OUR PARIS STAFF

THE FRENCH Government's new-found tough line of condoning job cuts in state-owned industries has met a frosty response from the Communist party, which quit the coalition in last month's cabinet changes.

All this week, the party's newspaper, *L'Humanité*, has been sniping at economic policy.

Yesterday it was the turn of Saint Gobain, the engineering and glass-making conglomerate nationalised in 1982, to come under L'Humanité's fire. The company, which has just announced 2,000 job cuts at its Isover insulation material subsidiary, was accused of following its pre-nationalisation policy of "exporting capital" and neglecting the interests of France.

Earlier this week, L'Humanité took exception to government cuts in interest rates on savings deposits which it headlined as "nibbling away" at the incomes of small savers. "Privileged people," the newspaper claimed, were still benefiting from "sumptuous" yields on the capital market.

It has also joined in criticism by the Communist-led CGT trade union, of the government project to salvage the activities of the bankrupt engineering group, Creusot Loire. Large redundancies are bound to be involved, it termed as "dangerous" the choice of the private sector engineering concern, Five Cail Babcock, as head of the group being primed to take over Creusot Loire's main assets.

Five Cail's parent company, the Five-Lille holding group, hardly merited "spontaneous confidence," the newspaper said on Tuesday. Its sole concern seemed to be to "make money" to the detriment of France's industrial coherence and national independence.

## Foreign investment soars in Turkey, says Ozal

By DAVID BARCHARD IN ANKARA

FOREIGN COMPANIES have approved investment in Turkey totalling \$3,960 million in the second quarter of this year, according to Mr Turgut Ozal, the Prime Minister.

"This compares with about \$1bn the past 30 years," he said, "and is a sign of how much confidence in Turkey has increased."

He did not break down the figure, but more than \$200m of it is believed to represent a single investment from an Arab group interested in developing tourist facilities at Candarli on the Aegean coast.

Mr Ozal added that Turkey's exports were among the fastest growing in the world and might reach \$7.5bn by the end of the year, compared to a target of 6.5bn. Gross national product was expected to rise by 5.7 per cent this year.

Referring obliquely to criticism of Turkey's human rights record, he said: "There are some laws and restrictions... our aim is to put the democratic system in Turkey on a sound footing." He pointed out that martial law had been lifted in 26 of the 67 provinces.

## Lufthansa strike threat rises

By Jonathan Carr in Bonn

A STRIKE at the West German airline, Lufthansa, moved a step closer yesterday when pilots and cabin staff rejected a compromise proposal on pay and conditions made by an official mediator.

The white-collar workers' trade union, the DAG, said 78.9 per cent of its nearly 3,000 members at Lufthansa had opposed the deal, but forward last month by Herr Karl Schiller, the former Economics Minister.

The DAG called on the airline to return to the negotiating table by August 24; otherwise it could not rule out a strike. The union did not specify, however, when a stoppage might begin.

Despite the warning by the DAG, Lufthansa said it saw no cause for more negotiations, not least because the other main trade union at the airline, the public service workers' OETV, has already accepted the compromise.

Under Herr Schiller's proposal, Lufthansa employees would receive a salary increase of 3.3 per cent, backdated to July 1, and another of 2 per cent running from next April to March, 1985. The DAG wanted an accord backdated to February and better prospects of a cut in working time.

Lufthansa's particular problem is that it goes into new talks with the DAG, the accord with the OETV might well unravel.

A strike now would be a serious blow for the airline which only last month said it expected another very good year after boosting net profit to DM 63m (\$16.5m) in 1983 and increasing its dividend from 5 to 7 per cent.

## Belgium's trade gap wider than supposed

By OUR BRUSSELS STAFF

BRUSSELS—A "misunderstanding" in reporting customs procedures involving BFR 51bn (\$662m) has added almost a third to Belgium's 1983 trade deficit, the national statistics institute (NIS) reported yesterday.

In June, it had reported a trade deficit of BFR 115.3bn (\$1.49bn), a significant improvement on the BFR 268.5bn deficit in 1982.

"Because of a misunderstanding in the reporting of customs procedures, the deficit for 1983 is now BFR 166.3bn (\$2.15bn), compared to BFR 115.3bn (\$1.49bn) in 1982," it said yesterday.

The misunderstanding arose when customs procedures were reorganised in June 1983, and the NIS director, said, Oil companies were confused by the new rules and did not provide the required import information.

## Ivo Dawnay concludes his review of Spanish accession with the focus on fishing Spain's fleet sails into stormy seas

By Ivo Dawnay

PROMINENT AMONG the prayers offered last month on St James's Day at Santiago de Compostela was a special plea to Spain's warrior patron saint to help in the country's accession negotiations with the EEC.

Outside the church, in the winding streets of the Galician capital, more sceptical demonstrators called for greater local autonomy and a firm rejection of the Community's membership terms.

The anxiety in the province is more than justified. For while its heavily protected farming community now faces an invasion of highly-competitive EEC dairy and meat products in its vital Barcelona and Madrid markets, an equally devastating blow may fall on its other important industry—fisheries.

Fish, even in landlocked Madrid, has long been a staple food in Spain. The 40 kg eaten by each citizen yearly compares with the EEC's 15 kg average.

But, at least in part, explains why the country struggles to sustain both a 17,000-strong fishing fleet, equivalent to almost 70 per cent of the total EEC tonnage, alongside a fish trading deficit with the Community estimated by some at more than \$4,000 tonnes a year.

How long, or rather to what extent, the infamous "Spanish armada" and its dependents (estimated at more than 1.5m people) survives depends on crucial talks set to resume in Brussels next month.

The problem stems from the end of 1976 when Spain's then booming fishing industry was dealt a body blow by the international introduction of 200-mile national coastal limits.

In La Coruna, the main Galician port, a fleet of 110 ships was rapidly reduced to 50. The city's fishing infrastructure

—changers, fish processors and transporting companies—which had grown to 190 companies over the previous decade, was halved.

Worse still, the oil crises increased fuel costs from 12 to 18 per cent of the value of catches to 23-32 per cent.

Spain laid the blame firmly on the "no-go" areas created by the EEC's common fisheries policy (CFP), most critically in the Irish "box"—a vast stretch of sea incorporating the fertile waters lying around Ireland's west coast.

In the Atlantic hake fishery alone—Spain's most popular and commercial species—catches have plummeted from 50,000 tonnes a year to 8,000 tonnes.

The current negotiations now hinge on how Spain can reach a mutually satisfactory deal with the EEC on three key sectors: licensed coastal fishing; the long distance fleet, fishing from the Falkland Islands to the Indian Ocean; and trawlers.

This last, while amounting to no more than 350 vessels, is viewed as the greatest threat by the Community's fishermen.

European Commission officials believe that, with some difficulty, the first two sectors can be resolved.

Current licensing agreements allowing Spain's coastal fishermen into areas traditionally the provinces of the French, such as the Bay of Biscay, can be continued.

The EEC will also take over the management of Spain's 16 bilateral agreements with third countries, though there will be stringent controls on the terms of the deals in order to outlaw preferential access to markets and other alleged practices, such as the mid-ocean transfer of foreign catches to Spanish boats.

The fundamental clash centres on the access of Spain's trawler fleet to Community waters. The Commission argues vigorously that Spanish fishermen must accept the CFP as a fait accompli. Spain, on the other hand, insists that the historical and zonal traditions of Spanish fishing prior to 1976 must be acknowledged by the Community.

"We are prepared to join the club and abide by its rules," says Sr Joaquin Fernandez Lopez, executive vice president of the Spanish fishermen's federation, "but we must be allowed in on the same terms as everyone else."

That misses the point, argues the Commission. The Irish job is now allocated largely to its traditional exploiters—the UK and Ireland. At best, Spain can only hope for limited licensed access for catching specific species.

Having first angrily rejected the Community's proposals as "totally unacceptable," Spain's negotiators now seem ready to discuss the level of licensing to be made available. Not least, because the system would be applied to all other EEC member states.

Nevertheless, even if this sector is resolved, several peripheral issues threaten to undermine an accord. These include:

- The need for a bilateral agreement with Portugal before the 1986 target accession date

## The EEC expands



on mutual access to each others' waters.

- Acceptance of a compromise on inter-ventive payments for sardines allowing a temporary differential between prices for Spain's 100,000-tonne catch and the higher prices paid at intervention for Mediterranean sardines caught by France, Italy and Greece.
- The sharing of costs for restructuring the Spanish fleet. Spain has spent around Pta 9bn (\$41m) to reorientate fishing efforts away from European waters but the Community reckons that many out-of-service ships are being kept on the register awaiting EEC funds before they are scrapped.
- Resolution of the status of the Canaries, which alone catch 200,000 tonnes of sardines. In any final agreement, the EEC wants to limit the amount of support "available" to the Canaries' fleet.

Despite its relative powerlessness in the talks, the government of Sr Felipe Gonzalez from its largely Socialist-voting Galician constituency to wrestle as good a deal as it can from the EEC.

Spanish fishermen have already given notice that, if they do not like the outcome, militant action on Spain's borders may be the result.

As one fishermen's leader put it: "We may be sold down the river by a deal that helps Spain on oranges and tomatoes."

## State sector hungry for new cash

By OUR BRUSSELS STAFF

SPAIN'S deficit-ridden public sector has taken the lion's share of new money being channelled into the economy, according to a study by the CEOE employers' federation, writes David White.

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## Netherlands MPs cast off their kid gloves

By WALTER ELLIS IN AMSTERDAM

DUTCH MEMBERS of Parliament are sometimes said to lack cutting edge: they read out prepared speeches and seek to score narrow debating points.

In recent months, however, many MPs, particularly those on the government side, have sworn the foil for the sake and have made life extremely uncomfortable for Mr Rijkman Groenendaal and his Christian Democrat-Liberal coalition government.

The Second Chamber has, in fact, reasserted itself as the focus of democracy.

Normally Dutch parliamentarians do not go in for the aggressive style of, say, British MPs. The change has been wrought by the Cruise missile issue, which nearly brought down the government in June 1983. The explosive growth of unemployment, and economic austerity. Dutch MPs are now on the attack and the cabinet cannot even count on the support of its own side.

Mr Bert de Vries, parliamentary floor leader of the Christian Democrats, has become something of a maverick, issuing statements on government policy which sound as though they have been drafted by the opposition.

Mr Ed Nijpels, the Liberal floor leader, has been equally unflinching in his attitude and has several times appeared bent on pulling the rug from under the Prime Minister.

In a parliamentary commission of inquiry, MPs of all parties have ruthlessly grilled company executives, civil servants and politicians alike over the alleged misbanding of state funds by the now defunct RSV shipbuilding group, unveiling layer after layer of ineptitude. The opposition Labour Party, which played its role in the RSV drama, was not spared either.

The only winner has been Parliament itself. Both chambers have basked in public esteem after months of detailed probing into the murky waters of RSV. More than Fl 2.5bn

## Netherlands MPs cast off their kid gloves

By WALTER ELLIS IN AMSTERDAM

(€584m) was pumped into the company between 1977 and 1982. The public discovered that its contributions largely disappeared into a financial "black hole."

The executive and the legislature are separate in the Dutch system, so that cabinet ministers cannot be members of Parliament or vote there. Most of the present ministers were elected as MPs but, on taking office, had to relinquish their parliamentary seats to colleagues further down the party lists.

Mr Lubbers and his fellow ministers make statements to the House and must defend their policies there, but decision-making has been in practice an extra-parliamentary affair.

The key Second Chamber, elected by universal suffrage on a proportional representation basis, has 160 members. The First Chamber, of 75 members, is elected by the 11 provincial assemblies and plays a largely symbolic role.

## Irish petrol price set to rise by BP

By Brendan Keenan in Dublin

PETROL in Ireland is set to rise by 3p per gallon, bringing the price of premium grade per gallon to 12.90 (\$3.12).

Petrol has risen by 17p per gallon in the past year, the main culprit being the US dollar's rise against the pound.

The two currencies almost touched parity last month and, with oil priced in dollars, the motorist has been taking the strain.

Hoteliers, airline operators and the Tourist Board, however, are expecting a record year as Dublin and the western seaboard swarms with holidaymakers from the US.

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## UK NEWS

## Petrofina refining business in Britain losing £3m a month

By IAN HARGREAVES

PETROFINA UK, a subsidiary of the Belgian oil company, is losing £3m a month on its UK refining and marketing business and is pressing for Government action to reduce the disparity between crude oil prices in the North Sea and prices of oil products in the UK market.

Mr Pierre Jungels, managing director of Petrofina UK, said in an interview that his company, a net buyer of North Sea crude in spite of its production interest in the Maureen Field, was projecting a £12m loss for the first eight months of the year.

"I am unhappy about continuing to lift the full volume of my contracts with BNOC (British National Oil Corporation, which sets official North Sea crude prices) while this situation persists," he said.

Petrofina's losses arise from the difference between the price realisable in the marketplace for the mix of oil products produced at the company's refinery at Killingholme, Humberside, and the cost of the refinery's feedstock, which is mainly North Sea crude.

According to Mr Jungels the return to Petrofina from selling its products was at present \$25.9 a barrel, compared with a crude cost of \$27.3 per barrel.

Part of the difficulty stems from exchange rate movements, which have kept crude costs high, even though dollar spot prices for crude have been weak. Mr Jungels argues, however, that the core of the problem is not either this or the refusal of BNOC to cut its official prices for North Sea crudes to bring them more into line with dollar spot values, but the behaviour of the oil majors in the UK product markets.

According to figures collected by Petrofina, a number of leading oil companies have bid successfully for large heating oil contracts in recent months at prices which are well below the going spot price for heating oil (or gasoil).

According to Mr Jungels, their technique has been to win contracts with customers like the Department of Environment by bidding at up to £20 a tonne below the going spot rate for gasoil quoted in the authoritative Platt Oilgram, then to raise prices soon after winning the contract.

Mr Jungels argues that because information on these deals is secret, smaller buyers of oil products are penalised. "There should be transparency of pricing. Everything should be published on a daily basis," he says.

He admits that his campaign for pricing transparency has not been met with much enthusiasm in Whitehall, where it is believed that the present arrangements encourage competition.

## Job loss warning to striking miners

By Our Industrial Staff

LARGE-SCALE job losses were warned in the coal mining industry because underground conditions at many pits had deteriorated during the 23-week-old miners' strike, the National Coal Board (NCB) said last night.

Its statement came as a gradual return to work continued and the High Court forcibly took £50,000 from the National Union of Mineworkers' (NUM) funds to meet a fine for contempt.

Mr Jimmy Cowan, the NCB's deputy director, said: "Unless there is an early resumption of work, the number of job losses and the reduction in the mining industry's capacity caused by deterioration of coal-faces and underground roadways will exceed the proposals put forward in March by the NCB."

Those proposals, calling for a cut in capacity of 4m tonnes a year, implying a loss of 20,000 jobs, led directly to the strikes.

Mr Cowan said that the NCB had lost three coal-faces in the last week and a further 17 were causing serious concern.

In the High Court in London, Mr Justice Hutton ordered that a £50,000 unpaid fine levied against the South Wales area NUM for disobeying a court injunction against interfering with coke lorries at Port Talbot steelworks, should be taken from the £707,000 area funds seized by the sequestrators.

Steel unions at Hunterston, on the west coast of Scotland, have offered to unload a ship laden with coal urgently needed to keep the Ravenscraig steel works in operation. Dockers, who are refusing to shift coal in support of the miners, have threatened a national strike if this is done.

## David Walker picks some headlines that stopped him in his tracks This isn't as easy as it looks

By David Walker

FEW REPORTERS have not received the following phone call at one time or another. "The article was not too bad, but why did you put that ludicrous headline on it?"

The irate caller is never easy to pacify, which is why the time has come to reveal one of journalism's trade secrets: reporters do not write headlines.

They are the work of a special breed—the sub-editors. Irascible men and women, they work peculiar hours, drink in peculiar pubs, and are well used to, and occasionally even patient with, the many annoying foibles displayed by writing journalists.

Four hundred words of verbiage are reduced by them to a telling sentence at a stroke, split infinitives are spotted from several hundred yards, and extraneous information is removed painlessly—well, almost always—if not effortlessly from the reporters' submissions.

Thus, it was thanks to the sub-editors that FT readers were never told that the recent dock strike's effects on Northern Ireland were pretty serious because "it is separated by water from the rest of the UK."

People of perfection, you might think, and you would be right. But they do write the headlines. And even a sub-editor may have an off day.

The perfect headline neatly encapsulates all the points of the story underneath. At the same time, it is snappy and so worded as to force you to read on.

It does not, of course, exist.

There are headlines which have long since become part of popular folklore: "Small earthquake in Chile: not many dead"; "Fog in Channel, Continent cut off," for example.

There are those which are claimed to have been seen by a friend of a friend, but for whom no eyewitness can be found to prove their authenticity. "Phew! what a scorch!" quite clearly falls into this category (though hard evidence for its existence would be welcomed from this office).

And there are those which have simply become infamous: the Sun's "Gotcha" over the sinking of the *Belgrano* during the Falklands War. But all these are so well known to come into my personal top ten bad headlines.

I prefer headlines which make you think, though not necessarily what the headline writer intended you to. The article headed "Assessing deceased's living expenses" could never live up to the images created by the words above it.

Then there is the gloriously mixed metaphor of "King Hassan walks Moroccan tightrope without right-hand man."



## WORST NEWSPAPER HEADLINES

Assessing deceased's living expenses  
King Hassan walks Moroccan tightrope without right-hand man  
Chinese handshake has its pitfalls  
The future has not yet happened  
U.S. stocks may be headed up or down or maybe just sideways  
Incest more common than thought in U.S.  
Virgin takes 1,000 bookings a day  
Man who popularised steel hatch cover dies  
Edible oil wrangle sparks memories of Peninsular Wars  
British technology to the fore in Japanese drains

Meanwhile, back in the real world, the whole British predicament was, perhaps, summed up in the words "British technology to the fore in Japanese drains."

I move a vote of thanks to the sub-editors: At the risk of having my sub-editing colleagues never speak to me again, it must be admitted that most of the above examples were perpetrated in the Financial Times—and indeed that it was various sub-editors who first discovered them lurking within its pink pages. There are no prizes for guessing which were ours, and which the opposition's.

Tomorrow: Top ten airlines

## Unit trusts investment down

By OUR LONDON STAFF

NET new investment in unit trusts has fallen to its lowest level since December, 1980, writes Clive Wolman. In the first six months of 1984, the monthly figure for net new investment fluctuated between £102m and £210m.

The largest outflow of funds appears to have been from unit trusts specialising in Japan.

Japanese trusts had an unprecedentedly high inflow of funds in the winter months as the stock market rose strongly to a peak in early May. Since then, however, it has fallen sharply.

## Whitehall expected to drop export insurance agency reform

By CHRISTIAN TYLER, TRADE EDITOR

A PROPOSAL that Britain's export insurance agency should be hived off from the civil service and turned into a publicly-owned corporation appears to be foundering.

A feasibility study by civil servants, just completed, is believed to conclude that there would be little gained by root-and-branch reform of the Export Credits Guarantee Department (ECGD), which last week declared its first trading losses.

The study, by four working parties involving the ECGD itself, the Treasury, the Foreign Office and others, has been sent to Mr Paul Channon, Trade Minister but not yet to the rest of the ministers concerned. A Government decision on ECGD's status is expected when Parliament reassembles in October.

Government departments refused to comment yesterday, but the view in Whitehall appeared to be that the weight of the evidence was now against even the most limited "privatisation." It was suggested too that Mr Norman Tebbit, Trade and Industry Secretary, was unlikely to favour a half-measure devolution.

Treasury officials are known to have disliked from the first the Government's recommendation of the Government-appointed committee of inquiry that reported in March. They are unhappy about the Treasury losing its day-to-day influence over the ECGD.



### Pragmatism carries the day in Zimbabwe

By Our Harare Correspondent

THE MASHONALAND Turf Club, redoubt of Harare's white establishment, will be back in business tomorrow on the city's Borrowdale racecourse, venue for last weekend's congress of the ruling Zimbabwe African National Union (Zanu).

Among the punters will be some of the congress delegates, who enthusiastically adopted a new Zanu constitution endorsing a one-party state, espousing Marxist-Leninism, adopting a tough leadership code of conduct to control corruption and calling for higher minimum wages.

The most part pragmatism carried the day. Many of the resolutions are statements of principle rather than blueprints for immediate action. The call for a one-party state, for example, made implicit acknowledgement of multi-party provisions in the Lancaster House constitution which held good at least until 1987.

More significant has been the way in which Mr Robert Mugabe, the Prime Minister, took the opportunity to consolidate his hold on the party and demote or keep at bay potential challengers.

The congress left the hierarchy of the party clearly established. Reigning supreme is the newly-created 13-post politburo, advised by a central committee enlarged from 26 to 30 members.

It is in the composition of the politburo, handpicked by Mr Mugabe, that his power now lies. No less than seven of the 13 members (Mr Simon Muzenda, Deputy Prime Minister holds two posts) are Zenzuru, from the Prime Minister's own tribe. But he also ensured a regional balance.

The Karanga, numerically larger, although also part of the country's majority hold four. The Manyika (also Shona) won two portfolios while the Ndebele (which largely supports the opposition leader, Mr Joshua Nkomo) was awarded one seat.

Yet in the allocation of portfolios, it seems that Mr Mugabe has been careful not to overlap his hand and raise fears about Zenu hegemony. Thus Commander Muzungu, a Karanga who is Minister of State for Security, holds the key defence office.

### India political sacking creates crisis

By K. K. SHARMA IN NEW DELHI

THE South Indian state of Andhra Pradesh was rocked by crisis yesterday when its Chief Minister, Mr T Rama Rao, the former film star, was dismissed and subsequently briefly arrested and imprisoned by the Finance Minister, Mr Bhaskara Rao, sworn into replace him.

Mr Rama Rao immediately called a statewide general strike yesterday in protest at the "unconstitutional and undemocratic action" of the Governor, Mr Ram Lal, who is a close follower of Prime Minister Indira Gandhi.

The dismissal followed the defection of the Finance Minister from Mr Rama Rao's Telega Rasm party with about 60 others. They were promptly supported by Mrs Gandhi's Congress-I, which forms the opposition in the state and the former Finance Minister was declared to have majority support.

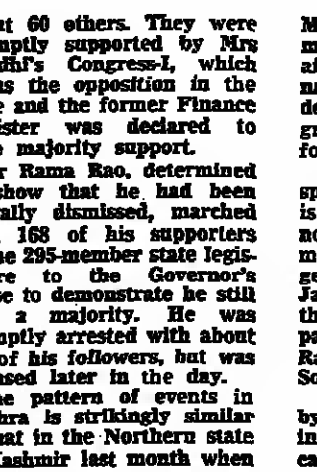
Mr Rama Rao, determined to show that he had been illegally dismissed, marched with 168 of his supporters in the 295-member state legislature to demonstrate he still had a majority. He was promptly arrested with about 100 of his followers, but was released later in the day.

The pattern of events in Andhra is strikingly similar to that in the Northern state of Kashmir last month when Mr Farooq Abdullah was dismissed as the Chief Minister after 13 members of his national conference party defected. Supported by Congress-I members, they now form the Government.

This has led to a widespread belief that Mrs Gandhi is trying to topple so many non-Congress-I state governments as she can before the general elections due next January. The next target is thought to be the Janata party-led Government of Mr Ramakrishna Hegde in the Southern state of Karnataka.

The defects of Congress-I by Mr Rama and Mr Hegde in elections 18 months ago caused a serious political event locally. The veteran politician, Dr Carlos Assumpcao, who was president of the old Assembly and consistently at odds with the Governor, Read-Adm Almeida e Costa, returns with four of the directly-elected seats being won by members of his political group.

He is expected to have the backing of at least five of the Deputies in the Assembly who have won seats through indirect election. The Assembly reconvenes in October.



Mrs Indira Gandhi

reverses for Mrs Gandhi in two of her traditional areas of support.

development which has not gone unnoticed in Hong Kong, where Government proposals for reform are being hotly contested by pressure-group leaders because they pointedly stop short of direct elections on the grounds that it is made up of young professional Chinese.

The broadening of Macao's electoral register from an insignificant 4,000 of the territory's estimated 400,000 population to an electoral roll which yesterday carried over 51,000 names was seen as a significant

### Suharto reaffirms army's role

By Kieran Cooke in Jakarta

PRESIDENT Suharto of Indonesia yesterday defended his policies on development, reaffirmed the military's key role in society, and called for more participation in the economy by the private sector, during his annual State of the Nation address to mark Indonesia's 39th independence day.

The President said that despite declining revenues from oil exports, which account for more than 60 per cent of Indonesia's export earnings, there had been some remarkable achievements. Indonesia was now nearly self-sufficient in rice production, when only six years ago it was the world's biggest rice importer.

Education was now available to all and Indonesia had moved from a low per capita income to one of \$580 (\$440) a year. His Government would make constant efforts to stimulate both domestic and private investment. This is seen as a reflection of anxiety about a big drop off in investment so far this year.

In the first six months of 1984, only \$920m was invested, compared with \$3.8bn in the same period last year. But President Suharto said he was determined to carry on with ambitious development programmes.

### ROW OVER ISRAELIS ON UK VESSEL Cypriot ship damaged by Gulf of Suez mine

By TONY WALKER IN CAIRO

A CYPRIOT ship is the latest casualty of mines laid in the Gulf of Suez and Red Sea that have hit up to 20 ships since July 9.

The vessel, was damaged on Wednesday night, according to Lloyd's Shipping Intelligence. This latest incident in the southern approaches to the Suez Canal comes as an international naval task force begins scouring the Gulf of Suez and the Red Sea for mines.

British officials in Cairo were deeply embarrassed yesterday when the presence on board one of the Royal Navy-Hunters now in the Gulf of Suez of two Israelis employed by the American CBS television and radio network, was discovered. CBS had assigned the Israelis to accompany the British task force from Cyprus through the Suez Canal as part of a three-month television crew.

They were held on board one of the mine-hunters at Adabiya naval base until late on Wednesday while special clearance for them to land was secured from Cairo. They were told to leave Egypt by today.

On Foreign Staff adds: The passports of the two Israeli CBS men were not checked when they boarded the minesweeper off Cyprus, according to a Ministry of Defence spokesman in London. They had been allowed to embark in "good faith."

It was pointed out in Whitehall that Egypt and Israel have been technically in a state of peace for over a year and the incident could be regarded as a sad comment on the "normalisation" of relations which the 1979 peace treaty was supposed to bring about. Yesterday afternoon, no formal protest had been received by the Foreign Office from the Egyptian Government.

Egypt has blamed Iran and Libya for laying the mines but both countries deny this. Yesterday Iran's Mojahedin resistance movement claimed that Iran's defence authorities have been giving priority since the beginning of this year to a project code-named "Oysier," aimed at giving the country the capability to produce mines.

So far, however, the Organisation of Military Industries has yet to produce a final version of the mine sought, says the Paris bureau of the Mojahedin which claims its information has been received from within the Iranian Armed Forces.

### Flower of Friendship wins seat in Macao

By DAVID DODWELL IN MACAO

THE FLOWER of Friendship and Development—not a real flower but a newly formed political group—was the talking point in Macao last night as voters and political pundits tried to interpret the outcome of the Portuguese-administered territory's first genuinely democratic elections.

This picturesque named group, called Fadem for short, emerged from nowhere to be contested by direct election in the territory's 17-strong Assembly.

The only claim to fame of the group's leader, Mr Alexander Ho, is that he heads Macao's new tourism and hotel training school. Little is known of his group, except that it is made up of young professional Chinese.

A number of political reforms in this tiny enclave on China's southern coast just 40 miles west of Hong Kong have attracted international interest. The introduction of an element of direct election is a

development which has not gone unnoticed in Hong Kong, where Government proposals for reform are being hotly contested by pressure-group leaders because they pointedly stop short of direct elections on the grounds that it is made up of young professional Chinese.

The broadening of Macao's electoral register from an insignificant 4,000 of the territory's estimated 400,000 population to an electoral roll which yesterday carried over 51,000 names was seen as a significant

event locally. The veteran politician, Dr Carlos Assumpcao, who was president of the old Assembly and consistently at odds with the Governor, Read-Adm Almeida e Costa, returns with four of the directly-elected seats being won by members of his political group.

He is expected to have the backing of at least five of the Deputies in the Assembly who have won seats through indirect election. The Assembly reconvenes in October.

### Blast hits police station near Johannesburg

JOHANNESBURG — An explosion, believed to have been caused by a bomb, ripped through police offices near Johannesburg yesterday, a police spokesman said.

Fire still rages through the building in Rodepoort, 12 miles west of Johannesburg an hour after the blast. The explosion shattered the four-storey offices of the district commandant for East Soweto, the black township which lies six miles to the south of Johannesburg.

Senior South African and Mozambican Ministers met in Pretoria yesterday for the second time this week to discuss security and economic matters. Government officials said. Reuter

### Work resumes at VW's Port Elizabeth plant

WORK has resumed in Volkswagen's Port Elizabeth plant following a week-long closure, Jim Jones reports. The closure resulted from a dispute in the paint shop which affected overall plant operations.

The company says union members have agreed to return to work while grievances are being investigated. Volkswagen's Port Elizabeth plant employs about 4,000 people and produces about one-eighth of South Africa's motor cars.

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Vertical text on the left margin including "on fishing", "the EEC", "fish petrol", "price set to", "rise by BP", "fish", "refo".



WORLD TRADE NEWS

Hawke's plan to cut export incentives sparks protests

BY COLIN CHAPMAN IN SYDNEY

CUTS IN export incentives planned for next Tuesday's budget by Mr. Bob Hawke's Labor Government have thrown Australian business and industry into confusion and led to major protests. Business and employer groups have been taking full-page advertisements in national newspapers, saying that cuts in the export market development grant will bring about the loss of 5,000 jobs for every A\$100m (£64m) of exports lost.

Irish fear Libyan curbs

BY BRENDAN KEENAN IN DUBLIN

IRISH EXPORTERS to Libya are increasingly concerned that the trade imbalance between the two countries could threaten future expansion. The Libyans have made no threats but have let it be known they believe Ireland should buy Libyan oil to counter the imbalance.

Thorn-EMI wins radar order from Spain

By David White in Madrid

BRITAIN'S DEFENCE industry has made a breakthrough into a virtually closed market by clinching a contract from the Spanish Government for the Searchwater airborne early warning radar system. The £13m deal, which is still awaiting official export clearance from the UK Ministry of Defence, was confirmed yesterday by the manufacturers, Thorn-EMI.

China allows border people to resume trade

BY MARK BAKER IN PEKING

CHINA IS beginning to relax its border controls to allow its frontier people to get on with their traditional trade with neighbours in Pakistan, the Soviet Union and Nepal. Under an agreement signed this week in Gilgit, Kashmir, caravans are to begin the first regular trade exchanges in a generation across the Sino-Pakistan border in the western Himalayas.

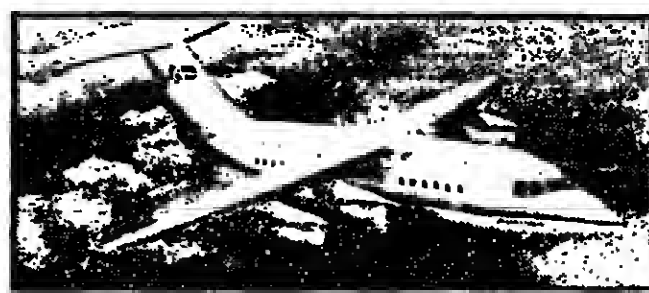
BY MARK BAKER IN PEKING

province of Heilongjiang and the Soviet Union, most of which is formed by the Amur and Ussuri rivers. Under the agreement for regular exchanges, a caravan of Pakistani merchants is to leave for Kashmir in the first week of November, while the first Chinese caravan is expected to reach Gilgit by the last week of December.

Bae 146 airliner ends long hunt for orders

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TODAY, a British Aerospace 146 four-engine regional jet airliner returns to Hatfield from an overseas sales demonstration tour that has taken it over 40,000 nautical miles through 17 countries in the Far East, South-East Asia and the Middle East, in a loop hunt for new orders.



Bae 146 feeder airliner: break-even point a long way off.

The trip has included China, Tibet, South Korea, Japan, the Philippines, Indonesia, Singapore, Malaysia, India, Nepal, Pakistan and Bahrain, and has lasted six weeks. Bae is hoping that the undeniably by the air-craft will result over the coming months in new orders. Those orders are vital for the success of the venture. Bae is spending about £400m on the development and production of the aircraft, and although to date there are firm orders for 28 aircraft, with options on another 43, the break-even point of around 250 aircraft is still a long way off.

Filipino fertiliser self-sufficiency in prospect

By Emilia Tagua in Manila

A U.S.\$340m fertiliser plant built in the Philippines by a group led by Coppoe Rust of Belgium has raised the country's hopes for self-sufficiency in fertiliser as well as export prospects. At present the Philippines imports up to 70 per cent of its fertiliser needs. The chronic shortage of foreign exchange may lead to a drop in crop production, especially for the staple food, rice.

AMERICAN NEWS

Mary Helen Spooner assesses the bleak prospects for recovery under General Pinochet Politics suffer as Chile's economy slumps

THE Raul Silva Henriquez shantytown, named after Chile's Roman Catholic cardinal and human rights defender, is one of the poorest neighbourhoods in the capital Santiago. The shanties are made of flimsy wooden shacks without electricity, heat or running water. Unemployment in the area is estimated at 80 per cent, with many families subsisting on charity donations or small government subsidies.

Although Chile's gross domestic product increased by 4.5 per cent during the first six months of the year, the economy as a whole is constrained by record low prices for copper—Chile's chief export which provides nearly half the country's export earnings. In addition, Chilean authorities say that almost all the country's financial resources will have to go towards paying interest on the \$18bn foreign debt.



General Augusto Pinochet

Third less than anticipated. The shortfall has been caused in part by an unexpected increase in imports generated by an unexpected spurt in industrial activity.

mic crisis is making itself felt to a stronger degree than ever. Real wages have declined by 17 per cent over the past two years, with little prospect of recovery in the near future. Sr Flores, the public employees union president, estimates that three-quarters of all government workers are now earning less than an equivalent of \$80 a month, a salary which barely covers basic necessities for one person, let alone a family.

Gap between rich and poor 'increased' during Reagan term

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE GAP between rich and poor in the U.S. has widened under President Ronald Reagan, but his policies have not been responsible for all or even most of the increasing disparity. That is the main conclusion of a comprehensive, independent review of the "Reagan record" published this week, which is likely to provide ammunition for both sides in the autumn election campaign.

CHANGE OF ADDRESS

With effect from 1st August, 1984 the address of Seattle-First National Bank will be P.O. Box 190 1 Watling Street, London, EC4M 9DA

Court order ends Pan Am strike

A strike by thousands of Pan American World Airways workers ended only hours after it began on Wednesday when the airline successfully applied to a New York court for a temporary restraining order on the action, David Blackwell reports from New York.

Managua opposition drops key condition for elections

MANAGUA—Nicaragua's conservative opposition on Wednesday dropped one of its main conditions for taking part in general elections—talks between the country's left-wing leaders and U.S.-backed insurgents fighting them.

Timerman returns to top job in journalism

By Martin Anderson in Buenos Aires

SR JACOBO TIMERMAN, the former newspaper publisher whose brutal detention without charge became a focal point in the human rights struggle against Argentina's former military rulers, returned to the world of local journalism yesterday—his first day as the deputy managing director of the afternoon daily La Razon.

Housing starts drop 6.6%

BY OUR U.S. EDITOR

NEW HOUSING construction in the U.S. fell by 6.6 per cent last month from June with particularly sharp drop in building starts for single-family homes, the Commerce Department reported yesterday.



# WILL YOU PAY THE PRICE OF A BMW 5 SERIES AND STILL NOT OWN ONE?



THE BMW 518 £8,645.

It's an easy mistake to make. BMW's reputation for excellence often misleads people into thinking these cars cost more than they do.

The fact is, anyone planning to spend over £8,500 on a four door executive saloon can afford one of the BMW 5 Series range.

There's certainly no shortage of choice: with six different models, and five different engines, you have combinations of luxury and performance to suit almost every need.

So if the crucial difference isn't price, what is it? It's simply that these cars are built with different priorities from mass produced "executive saloons."

Because BMW concentrate on the essentials, not the frills.

If that sounds a little spartan, consider this: four out of five people who own a BMW say they'll buy another.

So before you sentence yourself to thousands of miles of humdrum motoring, ask yourself one question.

Aren't your priorities really the same as BMW's?

## IF A CAR COMPROMISES ON ITS ENGINE, WHERE WILL IT STOP?

The heart of a BMW is its engine.

That explains why the least expensive 5 Series, the BMW 518, has an engine that was good enough to be developed into the one that powered last year's Formula 1 World Champion.

And why the next car in the range, the BMW 520i, has an in-line six cylinder engine. Most of its alternatives can do no better than a four, five or V-6 cylinders.

According to the laws of physics, none of these engines can be perfectly balanced.

While BMW's is so well balanced that it's measurably smoother than even a V-8 engine.

## WILL YOUR CAR BE BUILT TO THE STANDARDS OF A £25,000 BMW 6 SERIES COUPE?

At BMW there's only one standard, irrespective of the price of the cars. So they all go through a 45 stage paint process.

They all have 150,000 electronic listening tests carried out on every single engine (almost unbelievable, but true).

They all have such rigorous inspection that 29% of the time spent building a BMW is spent inspecting it.

The result? "...Among the most reliable cars ever tested by Motor" was the judgement by the Managing Director of Motor, after 53,000 miles of driving a 5 Series.

## WILL YOUR FUEL SAVER BE A LIFE SAVER?

"The never ending search for fuel economy is in danger of spawning a generation of long legged but gutless wonders."

So said The Times, and so say BMW.

Because to increase fuel economy at the price of performance may rob you of the vital power you need in an emergency.

So BMW have developed new solutions.

Like the revolutionary 'eta' engine that powers the £11,795 525e. At 70mph, it's running at a mere 2000 rpm.

With the result that its official fuel consumption figures are lower than the car

claiming the lowest drag co-efficient in this class. More importantly, the 525e is 28% faster in the crucial 30-50 mph overtaking time. Proving that a fuel saver can still be a life saver.

## "NO CAR HAS EVER GIVEN ME AS MUCH SHEER DRIVING PLEASURE"

Again, a quote from the Managing Director of Motor.

But virtually every review of the BMW 5 Series says the same thing.

Like Drive's verdict on the 520i: "The further and faster you drive it, the more rewarding it proves."

Such opinions are not easily won.

The fact is, BMWs are designed to be actively driven, not passively steered.

Which is why each of the 5 Series has a steering system that feeds back to you exactly what's happening on the road.

And the high performance 528i even has a special suspension that can actually tauten in a corner (like a racing car) and then relax on a stretch (like a limousine).

## MORE BRAINS THAN ANYTHING ELSE IN ITS CLASS.

A BMW 5 Series, however, is not mere brawn. BMW have been investing a higher proportion of their turnover in research than any other car company in Europe.

And this shows in the innovations which the 5 Series offers you.

Like the service computer that monitors every mile, adjusting the car's service interval to where and how it's driven. (Making it possible for you to go 17,000 miles between main services.)

Or the check control system (on the 525i and 528i) that automatically monitors seven of the car's key functions (making it unnecessary for you to ever use the dipstick).

Or the anti-lock ABS braking system that's now available on five of the models in our range.

But don't expect to find ideas like these on the car you were thinking of buying.

## IF YOU DON'T TRY IT, YOU DON'T DESERVE IT.

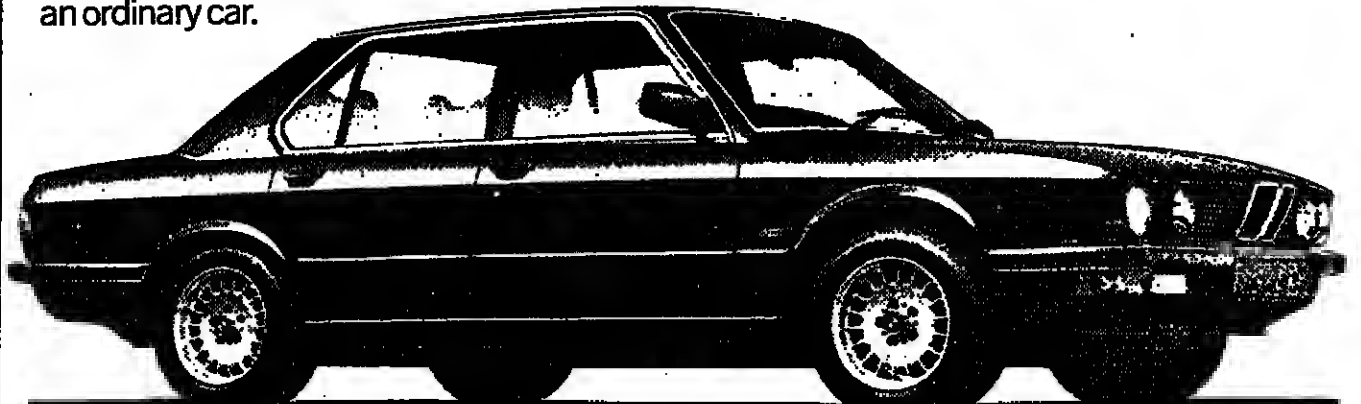
It's a surprising fact that half the people who buy an executive saloon don't try it before they buy it. (You wouldn't after all buy a house without going through the front door?)

And while some cars might be best judged on paper, the BMW 5 Series isn't one of them.

Only when you drive one can you experience that concepts such as "comfort" and "luxury" require more than a superficial list of extras.

Only then will you discover why BMW is called "The Ultimate Driving Machine."

And to think you were just about to buy an ordinary car.



THE BMW 528iSE £16,925.

Please send me details of: £8,645 BMW 518  £10,395 BMW 520i  £11,795 BMW 525e  £12,395 BMW 525i  FT4  
 £13,895 BMW 528i  £16,925 BMW 528iSE  Please arrange a test drive in the car I've indicated

(Mr, Mrs, Miss, etc.) Initial Surname Daytime Tel. No.

Address

(Town/City) (County) (Postal Code)

Age if under 18 Present Car Year of registration

Send to BMW Information Service, P.O. Box 46, Hounslow, Middlesex. Or telephone 01-897 6665.

**THE ULTIMATE DRIVING MACHINE**

DOE FUEL CONSUMPTION FIGURES FOR THE BMW 525e: URBAN: 24.6MPG (11.5 l/100km), 56MPH: 47.9MPG (5.9 l/100km), 75MPH: 37.7MPG (7.5 l/100km). PERFORMANCE FIGURE SOURCE: WHAT CAR? PRICES, CORRECT AT TIME OF GOING TO PRESS, INCLUDE CAR TAX AND VAT BUT NOT DELIVERY OR NUMBER PLATES. INCLUDES DELIVERY CHARGE INCORPORATING BMW EMERGENCY SERVICE AND INITIAL SERVICES £198 PLUS VAT. BMW 518 SHOWN WITH ALLOY WHEELS AVAILABLE AT EXTRA COST. FOR A BMW 5 SERIES INFORMATION FILE, PLEASE WRITE TO: BMW INFORMATION SERVICE, PO BOX 46, HOUNSLOW, MIDDLESEX. OR TELEPHONE 01-897 6665 (LITERATURE REQUESTS ONLY). FOR TAX FREE SALES: 56 PARK LANE, LONDON W1. TELEPHONE 01-629 9277.



MANAGEMENT

DEREK ALLAM is a gambler who has gambled £20m of the Pru's cash on 45 long shots—some with names like Dobbin and Blinker—in the search for winners in innovative technology.

Allam is chief executive of Prutec, the venture capital arm of the Prudential, the UK insurance company. It was set up in 1980 as a novel vehicle for investment in innovation. The well-publicised part of Prutec's activities has been its investments in start-up companies making body-scanners, robots and home computers, for instance. Some of Allam's bets have already started to pay off. But one Dragon Data, the microcomputer maker whose assets were this week bought by a Spanish company after an expensive balling-out operation by Prutec—has proved less happy.

The unpublished side of Prutec's business is backing the inventor. "We remove the technical risk from the development," claims Allam, a chemist formerly with the National Research Laboratory. He uses carefully selected inventions to industry as part of a package that also includes market analysis.

The portfolio is far from profitable but contains a wealth of experience and innovation in Britain in the 1980s. Two ideas have gone into production. A dozen more are rated by Allam as "hot" and he forecasts confidently that several will be licensed for production this year.

"In the past four years we've seen about 4,000 people looking for money," Prutec has taken about 100 of these supplicants seriously, and has made offers of cash to about 25 inventors. It is trying to spot a very elusive treasure: an original idea that can be patented; a market for it; and an inventor who believes he can make the idea work. All too often the inventor himself is the weak link. "If a guy comes along with a super idea but can't see how to get it to the market, that manages are that he won't," Allam contends.

Prutec got into the business of backing inventors as the result of a study commissioned by Ron Artus, a Prudential main board director, from PA, the management consultancy. One result of this study was a brief to set up market-led projects in technology, take out the technical risk, then offer the projects under licence to manufacturing industry.

"Preferably British," Allam stresses. "We always give British industry first chance." One of the driving forces was a belief in the Pru that the recession was causing British



Derek Allam: British industry has "an unrealistic attitude towards the cost of research and development"

Prutec pitches for an elusive treble

David Fishlock on the progress of a major UK venture capitalist

industry to curtail spending on research and that the City should do something to help. Prutec interprets "take out the technical risk" to mean that it should fund enough research to show that the idea is technically feasible and marketable. It is up to the licensee to fund enough development to put it into production. Mike Russell, licensing manager, says every project is picked up by Prutec at a stage where no one can be certain the technology can be achieved. Another consequence of the original study for the Pru is that PA itself joined the enterprise. Its subsidiary, PA Technology, has several research and development centres: near Cambridge in England, in Princeton in the U.S., and in Brussels.

So far, PA Technology has proved the most fruitful of the three main sources of ideas investigated by Prutec, the other two being the Battelle laboratories in Geneva, and university research.

With PA, the arrangement is that Prutec has first refusal for all ideas not the property of PA's own clients. It then has two months in which to take a decision whether to back it with research. Its tendency is to

take a quick decision whether to make it Prutec's property, then do the market research, including a patent search. But with ideas from other sources, where Prutec has no prior claim—including the ideas of individual inventors—it will do market and patent research first, before making any decision.

Each Prutec project is assigned a codename, partly for commercial security but partly to keep the inventor's identity secret. A certain low humour can creep in here—Lisp for an electronic speech machine, and Fanbelt for a female sanitary device.

The biggest lesson Prutec has learned, Allam says, is not to trust its own hunches or those of the inventor about market potential—even though he rates the market judgment of both PA and Battelle as "better than most." He stresses the need to confirm hunches with market research before making any financial commitment. He sees an ever-present danger for any consultant of drifting too far from the marketplace.

The only project to fail technically so far and sink Prutec's investment is a PA investment codenamed Spot. Prutec spent £27,000 on research with PA before abandoning Spot, a pro-

jection TV system intended for the home, but which turned out to be too noisy and too costly to cure. But a neat idea for sterilising infant feeding bottles, codenamed Bottle, which also worked out to be too expensive for use in the home, may find other markets. It is being refused on markets for sterilising bottles in larger numbers—in nurseries, in drug packaging, even for a maker of contact lenses.

This is not the only case where the eventual market is not the one originally envisaged. "It's often possible to save something from the wreck," says Russell.

Imp, an idea for greater security with credit cards, proved a marketing failure, too vulnerable to "more intelligent technology" in a fast-developing field. But it also taught Prutec a lot about dealing with large infrastructures and entrenched interests such as, in this case, banking. "A bit like taking on Detroit," Allam muses.

He admits that he and his colleagues recognise the same problems in their own parent organisation and its industry, for example in its cautious attitude towards the idea of

equipping insurance reps with portable computers. Prutec has made no attempt to pitch on idea at the Pru.

Inadvertently, however, Prutec managed to cause its parent problems when it made an investment in a company making chert cloth, invention of a Ministry of Defence laboratory, which prompted a headline alleging "The Pru goes to war." Some clients cancelled policies.

Defence equipment and drugs are two areas of innovation Prutec avoids. Allam is wary of drugs because of the daunting legal implications of product liability nowadays. But it is active on the fringes of the drug industry with some of its inventions in biotechnology. And biotechnology is one sector where Allam is eager to solicit more ideas.

But the big disappointment from Prutec's market research is the poor response from British industry. Allam points shortages of cash for innovation and "an unrealistic attitude towards the cost of research and development" as the handicaps here. Foreign companies are much more receptive to Prutec proposals for opening a new market. "We can always get in to talk to them although it is difficult to get beyond that."

Of the dozen projects seen as "hot prospects," only two are being negotiated with potential licensees in British industry.

Generally speaking, U.S. companies are less chauvinistic about the origin of ideas than those of other nations, Prutec has found. But Russell relates how he ran into the NIH factor—"not invented here"—with one U.S. company. The chief executive showed great interest in licensing a telecommunications invention. Then he backed out, saying that he could not get his engineers to support him and was not prepared to overrule them. Russell is convinced they saw the idea of taking a licence as a threat to their own inventiveness.

Derek Allam wants a bigger portfolio and sees British universities as his best prospect for more ideas. "They are much more commercially minded these days," Russell confirms. But Allam divides British university attitudes into two distinct categories: those who emphasise the freedom to think and those who emphasise training for industry. The latter know they must keep right up to date to be successful, he says.

The danger, as he sees it, lies in the middle ground between these two positions. Many pretend to do research but don't, and are not interested in industry. "There's a lot of dead wood in the middle."

Production technology

A less than smooth path to industrial automation

BY BRIAN GROOM

INDUSTRIALISTS are stepping up capital investment in factory automation, but when equipment is introduced, they are running into problems such as lack of expertise within their organisations and difficulties in training staff. Some companies are also failing to achieve the cuts in manning levels which the new systems in theory permit.

This picture of mixed success with computers and automated production technology in Britain emerges from a "Factory of the Future" survey of 180 senior managers and directors by the magazine Works Management, carried out with the help of Burroughs Machines. The magazine also examines three companies' experiences in detail.

The average capital budgets of the companies increased by 17 per cent in 1984-85, compared with 12 per cent the year before—an overall rise of 31 per cent in two years. In real terms, capital spending was about 20 per cent higher than two years ago.

Also on the positive side, two-thirds of respondents were satisfied their companies were doing enough, though nearly half of these said they faced barriers to further automation.

More companies were using computers (98 per cent had at least one) and more were taking up Government grants—nearly 70 per cent, compared with 55 per cent in the magazine's last survey 18 months ago.

But the number of companies with problems had increased from 47 to 56 per cent—perhaps because more were looking seriously at automation and therefore appreciating the difficulties, than because of an underlying deterioration. Those who felt their companies had insufficient technical expertise—a predictable problem as companies go further down the automation road—increased from 15 to 23 per cent.

Thirty-seven per cent saw staff training as a major problem, a 6 per cent rise. The biggest trouble spots were among line managers and supervisors, listed by nearly 30 per cent of respondents—nearly four times higher than those who regarded shopfloor workers as a problem. Automation is clearly making heavy demands on the technical competence, planning and control skills of line managers.

Those who felt there was insufficient support from top management doubled to 10 per cent, while those who felt that techniques for evaluating proposed capital investments were inadequate rose from 9 to 15 per cent. Numbers of respondents citing lack of funds (27 per cent) and shopfloor resistance (10 per cent) were stable.

Of the companies examined, Anderson Strathclyde, which makes co-axial machines at Motherwell in Scotland, has invested £7m in one of Britain's most ambitious flexible manufacturing systems for machining steel castings of up to three tonnes.

If it lives up to its promise, the system will cut boring times for large structural components from 26 weeks on manual lathes, and 16 weeks on computer numerically controlled lathes, down to just six weeks. In theory the system's six in-

dividual machines can run largely unattended, but the company has no immediate plans to cut manning to minimal levels mainly because the machines do not yet have enough intelligence to protect themselves against malfunction. This could damage machines costing £1m or spindles worth £20,000.

Automation has already brought benefits to Anderson Strathclyde, however. A computerised material requirements planning system has cut purchase lead times from eight weeks to eight days, saving £5m in the first year.

Edwards High Vacuum, a manufacturer of mechanical vacuum pumps at Shoreham, on the Sussex coast, has achieved success by reorganising plant layout, but regards high manning levels as a weakness.

John Bimer, manufacturing director, says "shop stewards and workers were unwilling to discuss the subject logically, but the time would come when manning on high-technology equipment was cut."

Westwood Engineering, which makes garden tractors in Plymouth, Devon, bought CNC lathes, a machining centre and a robot welding line, but felt it could have achieved the same results without new technology if it had harnessed the workforce better.

Output of sheet metal fabrications improved not only because they were redesigned to allow welding from one side; if that had been done earlier, the process could have been optimised without resorting to robots. Works Management, Summer 84, Frome Road, Horton Kirby, Kent, DA4 8LL.

TECHNOLOGY

OPTOELECTRONICS

Britain heads optics sales league

EUROPEAN SALES of optoelectronic components, ranging from the still-dominant cathode ray tube for displays, to the solar cell and the gallium arsenide laser, topped \$580m in 1983 and are growing at 15 per cent per annum.

Britain is the major consumer (\$156m in 1983) and seems likely to remain so to the end of the decade. West Germany is next (\$145m), followed by France (\$133m) and the Benelux (\$39.3m). The rest of Europe accounts for about \$11m.

The figures are contained in a report just out from Frost and Sullivan\* which shows that the communications industry was the biggest user in 1983 (\$171m), followed by data processing hardware (\$141m) and industrial instrumentation and control (\$105m).

In spite of the growing use of display devices such as the light emitting diode (LED) liquid crystal display (LCD) and gas discharge devices, the cathode ray tube (CRT) remains the predominant means of turning electronic data into visible information.

CRT sales amounted to \$200m in 1983—more than all the other display components put together. Significantly, F & S predicts that CRT sales by 1989 will still be about 20 per cent larger than the combined figure of all the others.

The report attributes this to the predicted rapid expansion of the personal computer market and other micro-computer applications.

Technically, the CRT remains one of the world's more elegant devices, with an electron beam that is weightless and can therefore address any part of a large picture area at very high speed.

As the technology stands, it seems likely that the

high definition colour picture demands of computer-aided design and other graphics systems—a growing market—will be met only by the CRT. Addressing the picture elements at high speed and definition remains a problem for the other display devices.

After CRTs, the next biggest market in optoelectronics is the light-emitting diode (\$85m in 1983) followed by liquid crystal devices (\$60m). By 1989 the growth, respectively, will be 72 and 130 per cent.

A rather more glamorous device—the solar cell—will nearly double its sales to \$35m by 1989, an average annual growth rate of about 11 per cent. Nothing dramatic is predicted since, says F & S, climatic conditions tend to defeat the solar cell in Europe.

An exceptional growth prediction is made for the laser diode, as tiny devices similar to the CRT, which emit a monochromatic, coherent beam of light that can be shot straight into the end of an optical fibre. Due to a predicted sharp increase in fibre optic communications, in which pulsed light beams rather than electric currents carry information, sales of laser diodes will jump from \$1.1m last year to some \$60m in 1989.

The report identifies 32 companies in the optoelectronics business in Europe, and attempts to rank them for each product type. Toshiba, for example leads in display device sales, followed by General Instrument and Beckman. TRW sells the most detectors and sources, while Corning and STC lead in optical fibre sales.

\*Optoelectronic Components in Europe, 265pp, \$1,700, published by Frost and Sullivan, 104 Marylebone Lane, London W1M 5FU (01-486 3377).

BY GEOFFREY CHARLISH

WHY HEAT TREATMENT MEANS BETTER RELIABILITY

Chips cooked to failure

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

TESTING is a tiresome, costly but vital part of the electronics industry. The vast majority of failures in components such as integrated circuits and of assembled units like printed circuit boards, appear in the first year of an instrument's life. So the industry tries to simulate that first year through various techniques, in effect accelerating time to bring out bugs.

Testing under normal conditions would leave computers and other data equipment ageing like casks of whisky. The cost in testing equipment, often into the millions, is still worth it set against the warranty costs repatriated faulty machines, not to mention the bad publicity that comes with, say, a retailer complaining of a 5 per cent return rate in one type of home computer.

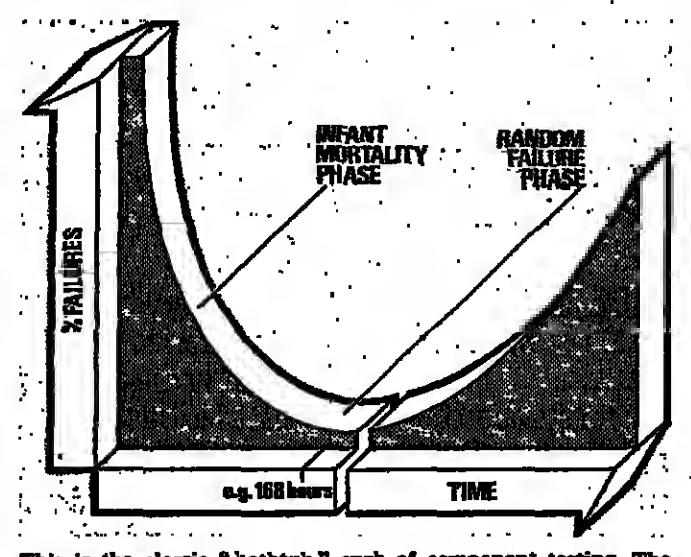
"Burn-in" and thermal cycling are two established ways of jumping time in testing to produce a first year of failures in a number of hours. Components like microprocessors are given extra energy in the form of heat, apart from the normal electric current passing through them. They are virtually cooked for a set period as there is an established logarithmic relationship between temperature and the life-span of a component.

A year of operation can be simulated through heat treatment over 24 to 48 hours, catching between 0.1 to 10 per cent of failures. This would correspond to the span of failures a commercial manufacturer would want to eliminate. Military specifications would be more stringent requiring test periods of 160 hours or more.

The industry refers to this as the "bathtub curve." This shows that after a short initial period virtually all the likely failures can be spotted. After this equipment would settle down and perform without failure for the rest of its designed life-span.

Thermal cycling puts assembled components through rapid changes in temperature over a period of, at least 24 hours, so that the wear and tear of expansion and contraction will bring out any flaws in the make-up of the assembly or its components.

Electronics companies like errant in Edinburgh with extensive defence contracts have about 100 test facilities to subject instruments to 200 hours



This is the classic "bathtub" curve of component testing. The greatest amount of failures occur during the early part of a component's life. By accelerating the ageing process manufacturers can ensure that equipment has a guaranteed longer life.

of alternate heat and cold to simulate the first year or so of operation.

Kineticon is a new British manufacturer of testing equipment for the industry hoping to climb aboard a growing market along with the main U.S. producers by offering cheaper and more flexible designs of equipment.

The company was set up by David Young, a 32-year-old production engineering graduate who has already worked in the testing equipment field before deciding to set up his own with assistance from ST Ventures and some private investors.

The company operates from a small factory in Glenrothes New Town in Fife, Young explains that he set up his company in Scotland to be near the customers: Scotland has the largest concentration of semiconductor manufacturers outside California with companies like Motorola, National Semiconductor, General Instrument, and Nippon Electric close at hand.

"Another reason was the accessibility of skilled labour," says Young who employs a small force of 17.

Kineticon specialises in burn-in as well as thermal cycling for electronic assemblies. A printed circuit board filled with various components cannot be

subject to the 125°C heat of the burn-in techniques. Here thermal cycling comes into play subjecting equipment to rapid changes from hot to cold—from -20°C to +70°C.

The key to Kineticon's sales pitch competing against U.S. companies like Wakefield and Reliability Inc is the ability to "burn-in" numerous types of integrated circuits at the same time. Young started at the top, tackling the most demanding of testing—the monitored test under which the various functions of a component are tested while undergoing a "heat soak" or under thermal cycling.

This is accomplished by a large portion on the test board which remains outside of the testing chamber to allow a large number of connections for the components inside. A single test board can hold between 50 and 500 integrated circuits depending on their configuration of pins. Kineticon's largest test system for volume chip producers can hold anything up to 42,000 integrated circuits at one time for burn-in.

"By increasing the scope of the logic applicable to the components under test, we thought it would be easier to tackle more simplified forms of testing right down to the straightforward static burn-in where components are subjected only to heat," says Young.

Retail

Supermarket terminals

ARGUS, WHICH claims to be the largest catalogue/showroom retailing operation in Europe, has installed point-of-sale networks in 23 of the stores and plans to equip a further 25 by the end of the year. It is planned to convert all 140 stores in the next four or five years.

Smart Terminals of Oxford are providing the system using the National Semiconductor 80286 microprocessor. The system is based on the DTS 321 point-of-sale terminals linked in-store with Comart CP152M microcomputers, two networks will be implemented in each location, each linking all the terminals and the computer.

Each terminal in every store is polled individually by the Argos central computer in Edgeware between close of business and 6.0 am daily, to give management information first thing every day.

The Microbyte 2900, an improvement in last sales due to items being out of stock. Argos is aiming for a service level "hit rate" of 95 per cent.

Data

Computer microfilm

A COMPUTER aided microfilm information retrieval system is now available from Jaragate in south London. At a cost of less than \$4,000, the system can deal with standard film, 16 mm or 35 mm microfilm cassettes.

The Microbyte 2900, as the system is called, is designed around a 16 bit micro-computer. More details from Jaragate on 01-671 5321.

Computer

Lathe training

THE BBC B computer has been incorporated into a lathe training system by Denford Machine Tools near Harrogate. The company uses a mini-lathe controlled by the microcomputer to teach the essential skills for operating larger computer-controlled production lathes. The system costs £1,690. More details from Denford on 0243 61317.

EDITED BY ALAN CANE

Machine tools

Simple programs

A SIMPLE means of programming CNC machine tools in three axes using a screen, keyboard and menu tablet is offered by Trumpf Machine Tools of St Albans.

Defined areas on the touch sensitive menu tablet contain all the characters, numbers and symbols for geometrical construction on the screen, tooling definition and positional commands. As the user progresses through the routines and the programme is built up, the graphics display becomes more and more complete, enabling input and other errors to be picked up and corrected. Programmes can be stored on floppy disc or tape.

For different kinds of machine tools and techniques, the touch sensitive foils are exchanged. The system can deal with punching and nibbling (a Trumpf speciality), laser and other cutting techniques, drilling, milling, grinding and turning.

The system has ten megabytes of storage on a Winchester disc tape punch and printer. It is possible to link the system to a mainframe for greater capacity. More on 0727 51111.

Telecoms

Pocket book terminal

A COMBINED word processor, screen, keyboard, modem and acoustic coupler with security encryption packed into a unit the size of a paperback book, comes from Textile in Washington, Tyne and Wear.

The FX 1000 allows the transmission and reception of documents down any telephone line. It can store up to 7,400 characters, roughly three sides of A4 paper, and transmits information at three different speeds. At the fastest rate, it would take about 50 seconds to transmit all the memory capacity.

Weighing only 14 ounces, Textile says that it has applications for stock brokers, lawyers, small businesses, salesmen and executives on the move. More information from the company on 091 417 8585.

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IMI plc Birmingham, England

**Networks Cheap chips for cable connection**  
A SET of three chips that will allow a both Ethernet and Cheapernet, the lower-cost alternative, to be implemented. has been introduced by National Semiconductor.

**Telecoms Pocket book terminal**  
A COMBINED word processor, screen, keyboard, modem and acoustic coupler with security encryption packed into a unit the size of a paperback book, comes from Textile in Washington, Tyne and Wear.

**Control Basic style**  
A NEW hand-held terminal from Analogue, the Linker 1000, can be programmed in the BASIC language. It communicates with industrial monitoring and control systems through an RS232 interface and will support RS422 communications and a serial printer. More on Weybridge 66911.



THE ARTS

Arts Week

F S S M T W T F S S
17 18 19 20 21 22 23

Music

LONDON

Moscow Virtuosi, Bach, Shostakovich and Tchaikovsky. Queen Elizabeth Hall (Mon, 8.30pm).

TOKYO

New York Philharmonic Orchestra conducted by Zubin Mehta in their first visit to Japan.

VIENNA

Robert Lechner (organ) plays Bach, Mendelssohn and Schumann at the Basilika Maria Theresia.

Angrietas Radio Sinfonietta conducted by Peter Guth performs classical Viennese dance music.

SALZBURG FESTIVAL

Dietrich Fischer-Dieskau with Hartmut Hock (piano), Leader by Richard Strauss in the Small Festival Hall.

PARIS

Australian Youth Orchestra conducted by Ronald Zollman, Jean-Claude Malgouère, Oboe: Berio, R. Strauss, Shostakovich.

NEW YORK

Mostly Mozart (Avery Fisher): The programme lives up to their name, with a sprinkling of Haydn, Schubert and Mendelssohn.

Early music in Utrecht

The Utrecht Early Music Festival, which has had considerable success in recent years, takes place from August 24-September 2.

Theatre

TOKYO

Chis (Chis Theatre): The special tent theatre, recently set up for dancing and Kabuki-derived movement.

The Fallal film 84, which like the original celebrates creativity, here as a series of Tummy Tunes' exciting songs.

On Your Toes (Virginia): Gailina Panova with a sparkling of Haydn, Schubert and Mendelssohn.

Starlight Express (Apollo Victoria): The musical's new production, which has 10 minutes of Spielberg-style magic.

Exhibitions

ITALY

Venice: Amid continued justified complaints about the imposingly built and inconvenient opening hours of most Italian museums and art galleries.

From the Japon period (about 4000-250 BC). The important collection is mainly from excavations in Tokyo.

West Germany: Berlin, Brücke Museum, 9 Bismarckstrasse. 1984 - a year with Karl Schmidt-Rottluff.

West Germany: Berlin, Brücke Museum, 9 Bismarckstrasse. 1984 - a year with Karl Schmidt-Rottluff.

NEW YORK

Museum of Modern Art: After being virtually closed for three years of renovation, the museum has chosen to show the depth and breadth of its considerable collection.

London: The Tate Gallery: The Hard-Won Images of the artist's sequel to last year's New Art.

Paris: Charles Schepeler - an artist with glass and a magician with colours - began with Art Nouveau and its three-dimensional forms.

Vienna: The Tyrolean Nation 1790-1820: Prints and paintings illustrate the Tyrolean people's fight against Napoleon.

TOKYO

China: Bronze objects and early printed books: over 50 items produced between 700 and 1100.

London: The Tyrolean Nation 1790-1820: Prints and paintings illustrate the Tyrolean people's fight against Napoleon.

Netherlands: The Kroller-Muller Museum, set in woodland at Otterlo, offers a special opportunity this summer to see the museum's complete collection of 274 Van Gogh works.

New York: New York and Friends (Gershwin): This ten-day engagement has a programme including Apollo, The Flower Festival at Genoa and Songs of the West.



Mia Farrow as Mafia moll and Woody Allen as vaudeville agent in "Broadway Danny Rose"

Cinema/Nigel Andrews Woody's Broadway melody

Broadway Danny Rose, directed by Woody Allen. Romancing the Stone, directed by Robert Zemeckis.

There's a long and likeable chase sequence across the New Jersey countryside, a few backstage vignettes of Allen at work.

Romancing the Stone belongs to the pre-dawn-thing-offer-another school of film-making.

In addition there is a well-timed line in gallows dialogue at the end of Romancing the Stone.

The Woody Allen clinic is now open. Dr Allen, you recall, is the man who made us all hopeless addicts of his humour back in the Seventies.

Allen keeps us watching with a mixture of will-o-the-whisp comic whimsy and an interrupted-narrative technique worthy of Bunuel.

We are no sooner giggling at these promising Allenisms than a main plot of sorts enters.

There is also the immortal moment when an actor later famed for more sinister roles wheels in a refreshment trolley to serve the Warden's mother.

Opera and Ballet

West Germany: Hamburg, Staatsoper: Ariadne auf Naxos is finely interpreted by Gabriele Schwan, Edita Gruberova.

West Germany: Berlin, Brücke Museum, 9 Bismarckstrasse. 1984 - a year with Karl Schmidt-Rottluff.

West Germany: Berlin, Brücke Museum, 9 Bismarckstrasse. 1984 - a year with Karl Schmidt-Rottluff.

West Germany: Berlin, Brücke Museum, 9 Bismarckstrasse. 1984 - a year with Karl Schmidt-Rottluff.

NEW YORK

Crowns Nest Modern Dance (Soprano Hall): One of America's most unusual dance companies in a blend of theatre and dance.

Salzburg Festival: Beck's St. Matthew Passion produced and choreographed by John Neumeier.

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NEW YORK

Royal Festival Hall: London Festival Ballet with some mixed bills.

New York: New York and Friends (Gershwin): This ten-day engagement has a programme including Apollo, The Flower Festival at Genoa and Songs of the West.

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New York Philharmonic/Asian Tour

When the New York Philharmonic's music director, Zubin Mehta, goes home to Bombay for a visit in September, he will have a surprise in store.

The orchestra subsequently cancelled its Kuala Lumpur concerts after the Malaysian Government requested that it delete a work from its scheduled programme.

For Mr Mehta, the trip has special significance because of the rareness of his visits and the even rarer opportunity to perform before those whom he still considers his countrymen.

His father, Mehta Mehta, co-founded the Bombay Orchestra and helped introduce Western music to India.

As Music Director for Life of the Israel Philharmonic along with his duties in New York, Mehta is used to travelling, even if not in such a large group.



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UK NATIONALISED INDUSTRIES

# What the figures fail to tell

By Robin Pauley

## A complacent U.S. forecast

EVERN WHEN every allowance is made for election-quarter window-dressing, the latest U.S. Administration budget review suggests a complacency about the future which could have dangerous results. The forecasts themselves push the limits of plausibility, not even the markets, so recently euphoric, seem inclined now to believe that sustained growth and a sustained deficit are a likely background for falling interest rates. What is potentially more disturbing is the tone. It is not reassuring, even if credible, to learn that the Federal deficit is officially projected to fall to "only" 1.8 per cent of national income in what would be the seventh year of a record-breaking boom. The Administration may be talking itself into a belief that it can go on borrowing for ever.

The first point which needs to be stressed is that even the apparent "optimism" of the forecast, with a deficit falling gently from \$170bn this year to \$140bn in 1989 is an illusion. It is the result purely of the fact that the Administration is more optimistic about growth and about interest rates than other forecasters. The Congressional Budget Office, on rather less hopeful assumptions, sees the deficit rising again toward \$270bn. Yet both are agreed that rising interest rates will benefit very little from growth, and that the underlying "structural" deficit is rising, not falling. What this means is that any setback in growth will send the deficit soaring to awesome new records.

**Hopes**

The risks of a setback are obviously increased by persistent high interest rates. This week's tremors over the affairs of the Financial Corporation of America, the biggest of the savings and loan institutions, and over credit to Argentina and Zimbabwe, are just the latest reminders.

The Administration's hopes of a substantial fall in interest rates are therefore central both to its growth forecasts and to its deficit forecasts but the interest rate forecast itself seems to be based on little besides hope, and the Administration's often-pro-

## Odd merger in the Maghreb

IT IS understandable that the world should react with a degree of bemusement to the projected union between the Kingdom of Morocco and the Libyan Jamahiriya. King Hassan's staunch ally in the West is President Regan, while Colonel Muammar Gaddafi figures prominently in the U.S. demography.

Everything would appear to make the two leaders incompatible. King Hassan has acted as go-between for Israel and the Arabs for more than a decade; only last May he hosted a congress of Jews in Rabat at which 11 Israeli members of parliament were present. In 1978 Moroccan troops participated in western military operations which came to President Mubarak's aid in taming Zaire's rebellious Shaba province. Today, the U.S. is building the largest radio transmitter in the free world, outside the U.S., south of Tangier.

Colonel Gaddafi, until last year, one of King Hassan's closest friends. He openly supported the two attempts by the Moroccan military to overthrow their monarch in 1971 and 1972 and he has kept up a constant barrage of abuse against a monarch whose claims descend from the prophet Mohammed and whose luxurious lifestyle is admired.

However, the two heads of state with little in common other than intolerance of opposition have over the past year arranged a trade-off on matters of foreign and defence policy crucial to each country. At the height of the Chad crisis last summer King Hassan threatened to send Moroccan troops to stop the Libyan-backed invasion of that country. This threat made Col Gaddafi reconsider the support he had lent to the Polisario Front, the liberation movement which has been fighting for the independence of the Western Sahara—the former Spanish colony overrun by Moroccan troops in 1975.

**Advantages**

Since then the two men have felt inclined to develop a modus vivendi. Col Gaddafi has already failed in attempts at union with four other Arab countries, Egypt (twice), Sudan (twice), Tunisia and Syria. But his obsession with the quest for Arab unity, his now prompted him to turn to the least likely partner in the Arab world. This latest twist is helped by a marked deterioration in relations between Libya and Algeria.

claimed belief that whatever else determines interest rates, the Federal deficit has nothing to do with it. We must explain why we disagree.

A rising structural deficit is simply a fiscal balance which will not fall enough in a period of growth to accommodate rising demand, and will rise to new peaks in any subsequent recession. It implies, therefore, a rising underlying demand for credit. This can only be met either from rising domestic savings—the original hope of American supply-siders—or from external sources. The huge U.S. current account deficit at the moment measures the flow of foreign capital required to balance the books.

The fact that these flows have been willingly forthcoming has enabled the Administration to pursue a high-borrowing strategy far more successfully than many critics assumed—thanks largely to the tight fiscal policies and strong current accounts of other developed countries, but there has been a price to pay. In spite of the strength of the dollar, which has left most foreign investors with large exchange profits, it has required a steady rising differential between U.S. interest rates and those elsewhere to attract additional funds. The British Government had a similar experience when it was trying to persuade domestic investors to hold an ever-higher proportion of their portfolios in fixed interest stocks.

These trends cannot be sustained indefinitely. First, the dollar's current over-valuation is vulnerable. The rising invisible deficit, as the U.S. trade deficit, net international debtor will tend to undermine it; and foreign investors will then require additional incentives to hold U.S. assets. Secondly, any further rise in interest rates will increase the demand for international and U.S. domestic credit systems. If a major crisis is to be avoided, with the dollar in a downward spiral, action is needed sooner rather than later first to stabilise the structural deficit forecasts and to reduce it. The "balanced-budget" Reagan has always believed this; we hope the campaigning Reagan does not forget it.

For King Hassan the advantages are slightly clearer. A degree of agreement with Libya implies a weakening of Libyan support for the Polisario Front, still a major concern as the Western Sahara war costs Morocco dear. It will also mean that Algerian attempts to promote closer cooperation between the four Maghreb countries. There may be a further bonus in the form of Libyan aid, cheaper oil and weapons, all of which would be welcome in view of the Kingdom's crippling foreign debt.

**Intractable**

Hassan has always pursued an opportunist foreign policy but in this latest venture he has surely overplayed his hand. His rapprochement with Libya has already cost him some of the support of moderate African states such as Tunisia and Senegal where his Western Saharan policy is unpopular. France, which has provided most financial aid to the Kingdom, and the U.S., which has strongly supported Morocco on the Saharan issue, have indicated their unease at the closer links with Libya. At a time when Morocco is locked in a bitter argument with western commercial banks over the part of its foreign debt which falls due between September of last and December 1984, it seems most unwise to seek a snook at the U.S. by announcing union with one of Washington's arch enemies.

Whatever comes of this union, and the most likely outcome is nothing, it will do little to solve the most intractable problem in North Africa, the war over the future of the Western Sahara. The new union is clearly aimed at Algeria. But Algeria conducts its diplomacy more in the manner of a chess player, in that it has long term interests which are clearly defined and is thus unlikely to be much influenced by the alliance.

The Treaty of Non-Aggression and Economic Co-operation signed by Algeria and Tunisia in March 1983, later joined by Mauritania, holds out some prospects of slow and steady improvement in relations between neighbouring Arab countries. Arab history shows clearly that hastily agreed unions are short lived affairs, however much they may serve the immediate interests of the parties concerned. The Moroccan-Libyan union will probably turn out to be a minor diversion—but one which will cost King Hassan support in the West at a time when he badly needs it.

**M**OST OF Britain's nationalised industries have now presented their annual reports and one major common theme, peculiar to state corporations, stands out: the attempt to keep both the loss and the profit figures as low as possible.

The reasons for trying to dress up the losses are obvious: all of the deficits come out of the taxpayers' pockets. But more curious is the embarrassment caused by healthy profits, such as those recently announced by the electricity and gas industries. The reason is that very high profits in public utilities lead to immediate accusations that the consumer faces excessively high prices from industries which he, in effect, owns but cannot control.

A variety of accounting techniques, all applied differently by the various industries, allow figures to be moved up, down and around to help present the best picture. The decline "tool" is the choice between historic cost and current cost accounting. Without exception, the big loss makers minimise their deficits by sticking to historic cost and the profit makers which are not facing imminent privatisation shade the size of their successes by using current cost. In one case—British Rail—a historic cost profit would be a loss if presented on a current cost basis.

State industries where privatisation is imminent—such as British Telecom and British Airways—tend to place their main emphasis on historic costs (though both BT and BA give some current cost figures). A good profit profile will help in marketing the issue. Nothing can be done, however, to disguise the debt burdens facing these two corporations (although the Government is doing its best to minimise the difficulties before privatisation). BT has around £3.4bn of debt and BA has the relatively more serious problem of \$900m hanging around its neck like an undepreciated Concord.

Nationalised industry accounts are not comparable with those of other developed countries, because, except in the cases of companies close to privatisation, no gearing adjustment is made—that is one which recognises the gain which falls to shareholders as a result of establishing that the system of investment appraisal was achieving its objectives; failure to agree performance aims for two of the industries; and the possibility that external financing limits had not been fully effective in imposing financial discipline on an annual basis.

The system of EFLs is supposed to limit the extent which a loss-making nationalised industry can make a net demand on the Public Sector Borrowing Requirement and to set a target for a profit-making industry's net contribution to the PSBR. Sir Gordon says that changes in EFLs and the extent to which some are met simply through

large savings in expected capital requirements, rather than performance improvement, raises the question of whether they are effective as a means of control—particularly over the performance expected of the industries on revenue account.

Since the Conservative Party took office in 1979 the list of nationalised industries has shrunk substantially through privatisation. British Telecom is the next one due for privatisation, this autumn, with British Airways following early next year.

In addition, the airports and British Shipbuilders' shipyard yards are being prepared for sale. Parts of the Post Office, such as the Girobank, and of BR, such as catering, are under consideration for sale.

The Government would also like to sell as much as possible of the gas and electricity industries, but this would be complicated and would raise a political storm. So they seem certain to remain in the nationalised sector for the present. In the short term, at least, they should contribute profits to the Government's coffers, together with the Post Office, countering a major drain on public resources by

### The life of O'Reilly

The Irish, as is well-known, like to keep a sharp eye on each other's affairs. Which is why the latest proxy document from the U.S. Heinz Corporation was closely read in Dublin even by those with no stake in the company.

President and chief executive of Heinz is Dr Tony O'Reilly, former international rugby star, chairman of Ireland's largest newspaper chain and of this summer's favourite of the oil share punters, Atlantic Resources.

In the best American tradition, Dr O'Reilly's salary and other emoluments, and they are enough to make the average Irish executive positively green. His salary came to \$1.3m, which was topped up with dividend income, director's fees and sundries of more than \$500,000. Irish newspapers calculated that, when his Irish interests are included, O'Reilly earned more than £2m last year.

Such publicity is unlikely to worry the urbane O'Reilly. He was in the news again this week, representing Heinz as a sponsor of the major race at Phoenix Park, and having his name inscribed on the benefactors of the West Memorial Building where 150 international academics are holding their annual school on the works of the great Irish poet.

O'Reilly's "Ireland Fund"—which he sees as a counterbalance to the fund-raising activities of Noraid—gave £2,000 to the school.

**Still rising**

Greg Dyke, former editor in chief of TV-am may not have to get up so early these days—but his professional rise continues. Yesterday, the 37-year-old Dyke, who is noted for his casual dress—usually jeans and open-necked shirts—donned a suit to be announced as the new director of programmes at Television South. He left TV-am in May.

TVS runs a dual franchise in Southampton and Maidstone

HOW THE RESULTS COMPARE								
		Turnover £m	* Disclosed profit £m	* CCA profit plus gearing adjustment £m	EFL proposed £m	EFL actual £m	Capital expenditure £m	Change in workforce %
Electricity Council	82-83	9,270	332	502	(148)	(153)	1,261	- 3.6
	83-84	9,562	457	588	(418)	(485)	1,361	- 3.3
BRITISH GAS	82-83	5,958	738	770	(87)	(230)	801	- 3.3
	83-84	6,422	755	762	(43)	(45)	1,096	- 4.0
British TELECOM	82-83	6,414	1,031	626	310	6	1,480	- 2.3
	83-84	6,876	990	704	(113)	(221)	1,454	- 2.0
British Airports	82-83	284	29	32	48	1.7	98	- 0.4
	83-84	316	46	50	33	18	132	- 1.8
British airways	82-83	2,497	73	58	(9)	(35)	173	-13.2
	83-84	2,514	185	156	(58)	(164)	250	- 1.9
Post Office	82-83	2,714	145	148	(56)	(60)	125	- 1.1
	83-84	2,844	127	128	(51)	(62)	123	- 0.6
BRITISH RAIL	1982	2,817	(175)	(238)	923	848	168	- 5.3
	1983	3,189	11	(50)	953	811	151	- 4.0
BRITISH STEEL	82-83	3,231	(866)	(879)	575	569	122	-21.8
	83-84	3,358	(256)	(286)	321	318	164	-12.3
NCB NATIONAL COAL BOARD	82-83	4,948	(492)	(597)	962	951	826	- 4.8
	83-84	4,660	(877)	(979)	1,195	1,183	698	-11.7
BRITISH SHIPBUILDERS	82-83	1,093	(110)	(162)	122	120	43	- 3.1
	83-84	887	(159)	(342)	180	172	68	-22.0

\* After interest, before tax and extraordinary items.

steel, rail, coal and shipbuilding.

The Government's privatisation programme will provide substantial one-off contributions to the PSBR—perhaps £10bn in the next five years—but the rail and coal industries seem destined to make demands on funds for the foreseeable future.

Can any improvement be made in the presentation of the remaining nationalised industries' accounts and the controls applied to the corporations?

One problem in using the EEC's system has been highlighted by Mr Philip Jones, chairman of the Electricity Council which is currently making major profits—around £1.8bn if they were put on a historic cost basis. However, Mr Jones estimates in his seven-year medium development plan that the electricity supply industry will make post-tax losses of £1.2bn between now and 1991—yet he expects it to remain a net contributor to the PSBR through negative EFLs.

Part of the Electricity Council's trouble is the fact that the phasing out of 100 per cent capital allowances in the last Budget means that it will now face a large corporation tax bill, which will start causing it losses from 1985-86.

Current cost accounting will require depreciation of £1.5bn to £2bn to be recorded between now and 1989-90 for past capital projects. So a large surplus on cash flow will appear which Mr Jones expects the Government to scoop away through continuing negative EFLs.

This apparently remarkable reversal from large profit to large losses could happen to other industries unless changes are made to this system which effectively amounts to double taxation.

A possible solution to this problem—and the one attracting most official attention—would be to stop both the corporation tax and negative EFL charges and introduce one new Nationalised Industry Contribution (NIC) tax. While this would make the system more national, it would imply an admission from the Government that a negative EFL constitutes a tax.

A further benefit from abandoning negative EFLs for profit-earning industries would be to raise financial targets to the prominence originally intended for them as an instrument of control. EFLs have been revised and missed so often as to have become almost

indefinitely flexible and, therefore, poor instruments of control.

The setting of targets in volatile political judgments. One problem, for example, is the conflict which arises between aiming for economic energy pricing (through tariff increases) and keeping inflation as low as possible (energy prices being a major component of the retail price index).

British Gas has a target for a current cost average annual return of 4 per cent; average net assets for the four years from 1983-84 to 1986-87. The first year produced a return of 5.8 per cent but the 4 per cent target is unlikely to be exceeded over the four years.

The 1978 White Paper on nationalised industries regarded these targets as the primary expression of the financial performance which the Government expected the industries to achieve. However, the targets do need to be realistic. In 1982-1983 the Government gave British Shipbuilders a target limiting its loss on trading to £10m; the result was a £117m loss. For 1983-84 the Government decided not to give any target—which is perhaps just as well since the loss rose to £181m. Neither approach seems sensible.

Performance indicators are a third way of measuring nationalised industries' performance. They are supposed to provide information on cost controls and improvements in efficiency. The difficulty here is that each industry is left to choose which indicators to use and publish. Those that do not reflect well on a corporation do not appear in the annual reports.

The Coal Board, whose dreadful 1983-84 results were made worse by industrial action (which will also ensure spectacularly bad results for 1984-85) gives performance indicators which show how well it is doing before labour problems set in. These do not include international comparisons which show, for example, the costs and productivity per tonne for UK coal when set against low-cost American, South African, Australian and East European production.

Overall, this year's nationalised industry accounts reinforce the argument that a more rational and consistent approach to the reporting of them, is urgently required.

In fairness, some private sector company accounts leave a lot to be desired—but in these cases the problem is not financial reporting but boards and shareholders who have votes and can sell their shares. The taxpayer has neither power *vis-à-vis* nationalised industries.

We shall never really know just how well or how badly our nationalised industries are performing until some common accounting structure and presentation of accounts can be found for them, coupled with more meaningful targets and controls.

### Men and Matters

John Stone, who surprised the Australian Government by resigning as Treasury chief just before the annual Budget, is one of Canberra's most colourful characters. Unlike most senior mandarins, 54-year-old Stone enjoys the company of journalists and, though often critical of what they write, regularly turns up at the National Press Club for a Friday night drink with them.

Back in the mid-1960s, when Stone was assistant secretary at the Treasury, he took on two reporters who challenged him to a 25-mile race along lonely roads to Lake George and back. Stone raced in full suit and tie—and still won.

Not long afterwards, Stone was despatched to Washington as executive director at the World Bank for Australia, New Zealand and South Africa. He ruffled some feathers there by setting a precedent, refusing to sign Bank decisions until he had read them fully and digested them.

**Glass-eyed**

For the first time, that peculiar British habit of opening office windows has come under the scrutiny of scientific researchers.

Startling evidence has been produced to show that there are two distinct types of window opening—"small" and "much larger." But the main conclusion reached is that window opening is "very dependent on the weather."

All this, apparently, has a significant effect on how much

### Stone's throw

The first "distinct mode" of opening (i.e. small) was for fresh-air seekers, the study found, and persisted through all weathers. But as the sun came out over Gerston, the phasing out of the "much larger" mode was annoying, as the test was carried out between February and May when the expensive, central heating was still on.

Britain's office workers, it concludes, may be opening their windows more than heating designers expected. And the researchers are now getting their heads together on more detailed studies to see how they can accommodate such habits.

**Sweet memory**

Any Star Trek-style archaeological digging around Pontefract in Yorkshire a couple of miles from now is likely to come up with a cockeyed view of our lifestyle.

The Wilkinson sweet company marked its centenary yesterday by burying a time-capsule in its factory garden where, 20 years after the county's last commercial liquorice crop, Yorkshire's few remaining liquorice plants still grow.

The capsule contains a solid slug of liquorice extract, together with some illustrated but empty packs of Pontefract Cakes and Mint Imperials, a company financial report, and the economic thoughts of chairman Bev Stokes.

But a future discoverer may be even more intrigued by the details of Wilkinson's jobs and wage rates also thoughtfully included in the package.

What theories will be propounded about the £55,059 a week "mushroom stalker, grade B" (who inserts cream fondant stalks into cocoon mushroom heads) or the "pipe dipper, grade A" (who gets almost £2 less for dipping liquorice pipes into hundreds and thousands)?

### energy office buildings use—

important enough factor at today's prices to occupy the time of the Government's Building Research Establishment in a study of its own buildings at Garston, near Watford.

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### BASE LENDING RATES

A.B.N. Bank	11%	Heritable & Gen. Trust	11%
Allied Irish Bank	11%	Hill Samuel	11%
Amro Bank	11%	C. Hoare & Co.	11%
Henry Ansbacher	11%	Hongkong & Shanghai	11%
Arco Trust Limited	12%	Kingsnorth Trust Ltd.	10%
Associates Cap. Corp.	12%	Knowles & Co. Ltd.	11%
Banco de Bilbao	11%	Lloyds Bank	11%
Bank Hapoalim	11%	Mallinhal Limited	11%
BOCI	11%	Edward Manson & Co.	13%
Bank of Ireland	11%	Mekhray and Sons Ltd.	11%
Bank of Cyprus	11%	Midland Bank	11%
Bank of India	11%	Morgan Grenfell	11%
Bank of Scotland	11%	National Bk of Rwanda	11%
Banque Beige Ltd.	11%	National Girobank	11%
Barclays Bank	11%	National Westminster	11%
Beneficial Trust Ltd.	12%	Norwich Gen. Tst.	11%
Brit. Bank of Mid. East	11%	People's Tst. & Sv. Ltd.	12%
Brown Shipley	11%	R. Raphael & Sons	11%
CL Bank Nederland	11%	P. S. Refson & Co.	11%
Canada Perma Trust	11%	Roxburgh & Guarante	11%
Cayzer Ltd.	11%	Royal Trust Co. Canada	11%
Cedar Holdings	12%	J. Henry Schurcoer Weg	11%
Charterhouse Japbet.	11%	Standard Chartered	11%
Chouartons	12%	Trade Dev. Bank	11%
Citibank NA	11%	TCB	11%
Citibank Savings	11%	Trustee Savings Bank	11%
Clydesdale Bank	11%	United Bank of Kuwait	11%
C. E. Coates & Co. Ltd.	11%	United Alrahbi Bank	11%
Comm. Bk. N. East	11%	Volkswagen Limited	11%
Consolidated Credits	12%	Westpac Banking Corp.	11%
Co-operative Bank	11%	Whiteaway Laidlaw	11%
The Cyprus Popular Bk.	11%	Williams & Glyn's	11%
Dunbar & Co. Ltd.	11%	Wilson Secs. Ltd.	11%
Duncan Lawrie	11%	Yorkshire Bank	11%
E. T. Trust	11%		
Exeter Trust Ltd.	11%		
First Nat. Fin. Corp.	14%		
First Nat. Secs. Ltd.	13%		
Robert Fleming & Co.	11%		
Robert Fraser	11%		
Grindlays Bank	11%		
Guinness Mahon	11%		
Hambros Bank	11%		

Members of the Accounting Houses Committee.  
 \* 7-day deposits 8% 1-month 8.75% 3-month 9% 6-month 9.25% 12-month 9.5%  
 † 7 day deposits on sums of under £10,000 8%, £10,000 and over 9%, £20,000 and over 9.5%  
 ‡ 21-day deposits over £10,000 8%  
 § Demand deposits 8%  
 ¶ Mortgage base rates



Financial Corporation of America

The problems making the markets nervous

By William Hall in New York

"I KNOW what you are thinking... How can this man and this company do something which has never been done before in financial history?" asked Mr Charles Knapp, chairman of Financial Corporation of America (FCA), a few months ago.

With a wave of his hand at the view from his 15th floor office suite atop Beverly Hills Wilshire Boulevard, Mr Knapp pointed at California's suburbs, much of which is owned by FCA. "It is all out there. It is a manageable risk. The bulk of our portfolio is in loans secured on single family housing. We are not making loans in underdeveloped countries."

He was in a confident mood. His company had just reported record profits, had opened the first of a series of European offices and was gathering over \$1bn a month in new deposits. FCA was already the biggest real estate lender in the U.S. and Mr Knapp had set his company the target of putting on \$18bn of new home loans in the year. In the absence of any sales, this would have inflated a balance sheet, which had just doubled in size, by another two-thirds.

However, a combination of higher interest rates, official interference and more than a whiff of nervousness in the money markets, have dented Mr Knapp's dreams, and alerted the world that all is not well with America's 3,500 savings and loan institutions, the rough equivalent of Britain's building societies.

FCA, which earlier this week restated its second quarter earnings to show a massive \$107.5m loss and admitted that it had breached its official minimum liquidity requirements, is fighting a rearguard action to restore confidence in itself following a severe liquidity squeeze which began in July when investors started to withdraw funds.

Higher interest rates are also watching nervously to see whether FCA's problems will spill over and affect confidence in some of the weaker members of the \$1 trillion (million million) U.S. savings bank fraternity.

Mr Knapp's mercurial career at the top of America's highest thrift institution has been watched with amazement by the U.S. financial establishment and considerable trepidation by FCA's regulators, who have seemed near powerless to curb its explosive growth. In terms of its \$32.7bn of assets, FCA now ranks on a par with Continental Illinois, which had to be bailed out by the U.S. bank regulators in the spring following a run on its deposits. The fear is that FCA could suffer a similar fate and that this might in turn sap confidence in other U.S. thrift institutions, many of which are in a relatively weak financial position, and like FCA have relied heavily on money market funds.

In some ways, FCA's problems are potentially more awesome for the regulators of the U.S. savings and loan industry. Whereas Continental Illinois was twice the size of the Federal Deposit Insurance Corporation (FDIC), FCA's



Mr Charles Knapp

assets dwarf the resources of the Federal Savings and Loan Insurance Corporation (FSLIC) by a factor of six. The FDIC says that it has 72 banks on its current problem list but the Federal Home Loan Bank Board does not publicise how many of its flock are in trouble.

Coming so soon after the Continental Illinois rescue, the problems of FCA and the thrift industry generally, only serve

to heighten the debate about the role of the U.S. bank regulatory agencies in an increasingly competitive U.S. financial system.

If it came to the crunch, it is far from clear that the U.S. Government would be prepared to step in and guarantee all the deposits of major U.S. financial institutions for the second time in less than six months. On the other hand the risks of allowing a major U.S. savings and loans to collapse are very high.

This is not the first time the FCA has had to restate its earnings as result of a clash with the Securities and Exchange Commission (SEC) over its accounting policies, and the Federal Home Loan Bank Board (FHLB) has been trying for some time, with little success, to get FCA to agree to slow its rapidly growing rates which have catapulted it into its present position as one of the top dozen financial institutions in the country.

FCA has argued vehemently that its recent difficulties in raising deposits are the result of adverse media coverage of its affairs and there is probably an element of truth in this argument. However, the money markets are in a nervous mood and have become increasingly suspicious of Mr Knapp's maverick style of management.

Not only has FCA taken a massive gamble on a fall in U.S. interest rates allowing it to sell off its fixed rate loans at a profit, it has also pursued growth with a fairly heavy dependence on volatile money market funds. As if the company's risk profile was not high enough, earlier this year it spent \$200m, equivalent to a third of its net worth, on buying a 4.9 per cent stake in American Express, and has also helped finance Saul Steinberg's sorties into Walt Disney.

In terms of high risk financial institutions FCA is in a category all of its own. In Jonathan Gray, of brokers Sanford Bernstein, estimates that a change in interest rates affects the cost of 84 per cent of its deposits while altering the earnings on only 30 per cent of its assets. This gives it an



Recent Press advertisements announcing FCA's European expansion.

interest rate mismatch equivalent to 54 per cent of its assets, roughly double the industry norm.

Its capital ratio of 2.22 per cent is well below its official minimum target of 4 per cent for the end of 1984, and analysts say that the group's problem loans are well above average. Mr Gray has calculated that of all the loans FCA made in 1980, 19 per cent had run into problems by September 1983. For 1981, some 14 per cent were in trouble by September 1983.

While Continental Illinois and FCA are roughly the same size in terms of assets and both have suffered from a nervous reaction in the world's money markets to adverse publicity, their problems are different.

Continental Illinois' problems stemmed from its over ambitious growth in U.S. lending and a large international loan portfolio, the value of which is uncertain. It found it difficult to liquidate its assets at short notice and was relying on overnight funding for the bulk of its deposits on the eve of the crisis.

By contrast, the bulk of FCA's assets are in government securities, liquid assets and home mortgages. The former can be liquidated to repay mortgages without too much difficulty, and while there may be some doubt about the collectability of some of the loans, it is easier to estimate the underlying value of a delinquent Californian home loan than in the case with many of Continental's problem loans.

In addition, FCA is far less reliant on overnight funding than Continental Illinois. About \$15bn of its \$25bn of deposits comes from large and medium size institutional depositors and falls due before the end of September. The immediate liquidity problems can be contained by borrowing from the Federal Home Loan Bank of San Francisco. But what remains uncertain, is whether the big depositors will renew their deposits when they fall due.

This is not only important for FCA but also for many other U.S. savings and loans which have become increasingly reliant on the money markets for funds.

The financial performance of the majority of U.S. thrifts in recent years does not stand up well to close scrutiny and the struggle to earn profits in an era of volatile interest rates has spawned a more entrepreneurial breed of savings and loan executive, of which Mr Knapp is one of the most extreme examples.

Mr Edwin Gray, chairman of the FHLB, whose job is to police the thrift business, has likened some of the new executives who have been attracted into the industry to daring crop duster pilots. The old style managers of U.S. savings and loans he says are more akin to conservative gardeners.

"If you were running a group insurance plan, how would you feel about charging the skilled crop duster pilot the same premium as the man who makes his living as a gardener?" asks Mr Gray.

Long-term Forecasting

The future that Britain never had

By Michael Prowse

WHAT WILL the British economy look like in the year 2004? For most of us this is a matter for idle, if enjoyable, speculation. But for some large companies whose investment programmes stretch into the 21st century the question is of consuming interest.

If past performance is any guide, however, the prospect that today's futurologists will get it right is virtually nil. Indeed they may well get it spectacularly wrong. Take Mr Ronald Brech, head of Unilever's Economics and Statistics department, who in 1964 presented an "experiment in the economic history of the future" in his book "Britain 1984".

The problem even for serious and perceptive forecasters like Mr Brech two decades ago was to overcome what now seems absurd optimism: people believed then that economic management could only get better. Nobody reading Mr Brech's book soon after publication would have planned twice at the following passage: "It has been assumed throughout that no government in power will permit unemployment to rise above 300,000 (2 per cent of the labour force) for any length of time—that expansion will only temporarily be sacrificed for price stability."

The author seemed to regard such a commitment as somewhat unwise, although he never appeared to doubt it could be met. The price of keeping unemployment below 2 per cent would be "little hope of preventing wage increases from exceeding the rise in productivity." So the Unilever researchers accepted that some indeed—"an average rise in retail prices of 1 to 2 per cent per annum."

Such a forecast displays a confidence in economic management which has since vanished—but which might return by 2004. Britain 1984 illustrates how ideas, and even the language of economic debate, can shift over 20 years. There is no mention of the money supply; long-term upward pressure on prices is explained "entirely in terms of pay rates exceeding productivity. The lacuna is not as great as it sounds: in the early 1960s, inflation had been firmly controlled for about 15 years without anybody even calculating

the money supply. It was only in 1963 that the Bank of England began to measure and publish quarterly monetary statistics.

If Britain 1984 is any guide, though there was a better understanding of the limitation of pure economics in the early 1960s than today, Space is devoted, for example, to the importance of psychological factors in the microeconomic sphere and to political and sociological factors in the macro arena. It is taken for granted that a century-long trend toward greater concentration in industry would continue (as it has), and would not necessarily be a disaster.

Even in 1964 most industries were oligopolistic so that a narrow concern with the economics of Adam Smith then seemed beside the point. In no sense does Mr Brech's book suggest that Britain's economy

was being hatted as an important trend 20 years ago) and the loss of blue-collar jobs. But the trade union movement has not experienced the erosion of power forecast by Mr Brech. In 1964 he would doubtless have been deeply shocked could he have foreseen this year's bitter miners' strike.

Overall, the message of the research, at Unilever is not wholly dispiriting for budding futurologists. Mr Brech did get it right occasionally: he correctly foresaw the extent of the emancipation of the housewife—the huge increase in female participation in the labour force—and he guessed that, although the need for agricultural subsidies would have long ago disappeared by 1964, the "EEC might become emotional about farming and stimulate its output artificially."

In the end, of course, the study tells us more about 1964 than 1984; and in many respects the comparison is an unhappy one for us. Reading the book today gives one the uncanny feeling that 1984 must still be a long way in the future. Perhaps we will have got there by 2004.

Another error in long-term forecasting is to assume that

Let them take taxibuses

From Mr D. Peters  
Sir—Surely your correspondent (August 14) is wrong in thinking rural areas have only the choice between bus (with fixed points, fixed times) and taxi (flexible points, flexible times), even in his variations (taxi with flexible points, fixed times)?

Is not the answer the "taxibus" (fixed points, flexible times)? In its most sophisticated form there would be a VDU in every bus shelter, by means of which anyone could key in a request for a taxibus for a given journey and also receive full information on what transport had already been ordered.

The basic finance could be provided by subscription or season-ticket for frequent users, with much higher fares for the occasional user. There could also be an option by which somebody wanting a taxibus at a time or for a journey where he would be the sole customer could still have it for a taxi-type fare instead of a bus-type fare.

And there is no reason why every single user should not have a credit account and pay a transport bill like a telephone bill. All it needs is one rural area to approach transport the way Hull has for so long approached telephones, and we would find that some

Letters to the Editor

problems are better solved by advancing than retreating.  
Don Peters  
1099a, London Road,  
Leigh-on-Sea, Essex.

Tiny comfort for Fraser holders

From Mr C. Whitmey  
Sir, — Your full coverage (August 10) of the House of Fraser/Lourho report by Mr John Griffiths QC, gives tiny comfort to those Fraser shareholders who profess satisfaction with the current management.

The \$1.1m shown in the 1984 accounts as "Costs of Harrods demerger proposals, EGMs, DoTY inquiry" does not seem to be the end of the costs we as shareholders shall have to indirectly bear in continuing to provide the city and the media with the long-running entertainment "The Two Rolands" to adapt a phrase, "It's push-on from me and push-on from him."

Your report "At present, Lourho's shareholding is represented on the Fraser board by

Lord Duncan-Sandys and Mr Roland "Tiny" Rowland, might give the impression of two earnest, sharp-minded businessmen diligently attending board meetings exceeding a proper standard of care as elected directors. The 1984 directors report shows each of them as attending one out of 12. Possibly just sufficient to avoid potential censure? (Article 84(E); absent for more than 12 months). Would the long arm of equity consider such attendance a fulfilment or breach of duty?

It is true their alternate directors have regularly attended. Is this a proper use of alternate directors? At the AGM on September 29 their two alternates, Messrs Spicer and Robinson are standing for election. If elected what new contribution can they make apart from increasing the "demerger Harrods" vote? Will this benefit Fraser and the 12,987 (\$2.5 per cent) shareholders who voted last year against the Lourho resolution to demerge Harrods compared with the 2,883 (17.5 per cent) who voted in support?  
Last year leading counsel

advised that any demerger would need a scheme of arrangement. A scheme under s.206 Companies Act 1948 needs the support of 75 per cent in number, not 75 per cent before the Court will even look at it!

There must be numerous other shareholders like myself, 500 shares, who are sick and tired of the demerger whose motto seems to be "Harrodi per barrassa." Christopher J. Whitmey, Oldstone Furlong, Founthope, Hereford.

Smarten up at the front, there

From Mr M. Lattimer  
Sir—Your report in "The FT Top Ten" (August 13) reports that in Britain the panelists nearly drew a blank when seeking business people who can reasonably be described as well turned out. How can this be when Britain produces some of the world's finest clothing, including the best knitwear and worsted suiting and mohair cloth? The successful businessmen in Germany, Japan and the U.S. know this, but not our own.

No wonder! It is about time the FT had a fashion page in this form of trading. The worry is that the impact of the Saudi deal is yet to come, not that it caused the mini-crisis of last month.  
You are right to say that a gently falling oil price is to be preferred to precipitous drop. But can somebody tell us please how does one steer oil prices on a gently falling slope? Can you suggest a credible policy? And if you can, please do. I am sure that the British Government will listen to you with great interest and find these suggestions more useful than your criticisms.  
But you know that the stark choice facing all oil-exporting countries is between a clumsy administration of oil prices that holds them where they are, and a surrender to market forces which causes violent short-term price fluctuations. There is no gentle alternative in between.  
Robert Mabro,  
29, New Inn Hall Street,  
Oxford.

Confusion surrounding recent events in the oil spot market

From the Director, Oxford Institute for Energy Studies

Sir—Your leader on "Opec's other member" (August 13) adds to the confusion which surrounds recent oil events, and begs many an important question. I am afraid that your sense of outrage is also a bit misplaced.

Let us first agree on the facts. The spot price of North Sea Brent hit a bottom at \$26.30 a barrel on July 21. It began to recover on August 2 and reached \$28.50/60 a week later. Most Press commentators, however, failed to say that spot prices were falling throughout June, and that after a 10-day lull at the beginning of July (before the Opec meeting) they resumed their decline on July 12. Prices continued to drop until the end of the month.

It is most probably true that Sheikh Yamani had high-level meetings with British Ministers on July 30 or 31. The now-famous Buchanan-Smith letter was indeed sent the next day. But the link between these two events is essentially chronological. The letter was not the result of Yamani's visit but the culmination of three weeks of intensive contacts and talks be-

tween the Department of Energy and oil companies. The letter was probably requested by the oil companies anxious to have on file some document justifying their subsequent actions in support of the official price of oil.

The British Government seems to have decided some time in June or July that there is a British interest in holding the official price of oil at current official levels. The argument is familiar: a drop in the price of oil puts pressure on sterling and this leads to higher inflation and perhaps to higher interest rates. The adverse impact a drop in oil prices is immediate and conspicuous: the economic benefits are of an uncertain and long term nature.

It is absurd to suggest that in this episode the Government was trying to placate Opec or to buy long-term favours from moderate producers. And the real action involved the major oil companies rather than Opec. No company operating in the North Sea where the fiscal factor is of such paramount importance can afford lightly to ignore the strong wishes and views of HM Treasury. When the companies were persuaded that the Government attached great importance to the stability

of the official oil price and when they saw that the decline in spot prices was posing a real threat to this objective they moved in and reversed the spot price trend.

It is not Sir Peter's statement that "The market has misread the Saudis" which reversed the trend. Not the Shell statement made on the following day. The market does not respond to statements but to action. Spot prices rose on August 2 and 3 because these and other major companies intervened either by refraining from selling spot crude or by buying oil on the spot market and from BNOG. There were also signs of intervention (by whom?) on these same days on the futures market in New York.

The Press blamed the oil price weakness of recent weeks to market fears about Saudi over-production and to the Saudi barrier deal. There was no Saudi barrier oil. In June when spot prices were tumbling down, and no stories about Saudi over-production until July 29, that is 17 days after the July downturn and three days before the reversal of the price cycle. But it was convenient for the main North Sea players to distract attention away from the actual scene and

propagate the myth that the when they saw that the decline in spot prices was posing a real threat to this objective they moved in and reversed the spot price trend.

To be sure, barter deals tend to weaken the market and countries committed to oil price stability should not indulge in this form of trading. The worry is that the impact of the Saudi deal is yet to come, not that it caused the mini-crisis of last month.

You are right to say that a gently falling oil price is to be preferred to precipitous drop. But can somebody tell us please how does one steer oil prices on a gently falling slope? Can you suggest a credible policy? And if you can, please do. I am sure that the British Government will listen to you with great interest and find these suggestions more useful than your criticisms.

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Robert Mabro,  
29, New Inn Hall Street,  
Oxford.

NESCAFÉ GOLD BLEND advertisement featuring a can of Nescafé Gold Blend and a cup of coffee. Text includes: "You won't find Gold Blend\* instant coffee under any other name than Nescafé\* because Nescafé don't make coffee for anyone else. So the only way to guarantee the smooth golden taste that is unique to Nescafé Gold Blend is to make sure it says Nescafé Gold Blend on the label. Nothing is as good as Gold Blend. Nescafé Gold Blend. Richer, purer, smoother."



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# FINANCIAL TIMES

Friday August 17 1984

**BELL'S**  
SCOTCH WHISKY  
**BELL'S**

John Elliot meets N.T. Rama Rao in Hyderabad after his sacking and arrest

## Gandhi pulls a star rival from the stage

MRS INDIRA GANDHI, Indian Prime Minister, was last night accused by Mr N.T. Rama Rao, one of the country's most colourful and controversial regional politicians, of personally ordering the removal from power as Chief Minister of Andhra Pradesh State in order to improve her chances of winning the coming general election.

Within hours of his return on Wednesday from open heart surgery in the U.S., Mr Rama Rao's opponents within his own administration struck. Yesterday he was sacked.

Later he was arrested when he refused to leave the governor's residence after he and his fellow ministers squatted in the governor's office to protest against the sacking.

Mr Rama Rao, aged 62, is a like President Reagan - a former actor. He gave up his starring film roles depicting Hindu gods two years ago to enter politics. Yesterday after his release from police custody he re-

turned to his Hyderabad film studio.

He looked pale and drawn - surrounded by screen memories, pictures of Hindu gods and a stuffed snarling tiger with a purple straw hat on its head - but when asked about Mrs Gandhi and her role in his fall from power, the weak invalid became an angry politician.

"Mrs Gandhi is responsible for all such decisions, when her party goes out to oust people from power," Mr Rama Rao said. "This is similar but much worse than what she has done in Karnataka and Kashmir. As I told the governor when I saw him this afternoon, I have 167 members of the state legislature who are still with me so I still have a majority, even if the Kashmir Government did not. This is Mrs Gandhi's tactic and it is only for the purpose of winning the general election."

Bitter fighting between India's central government and its states is not unusual, nor is a mushrooming

of regional tensions and political unrest as parties battle for power in advance of general elections. But Mrs Gandhi is surprising even some of her own supporters with the crude and sometimes brutal way in which she is removing her opponents in advance of the general election she must hold by mid-January.

At present a handful of states are run by parties opposed to Mrs Gandhi's Congress Party. Her aim is either to strike deals with them on sharing the seats - as she hopes to do in Tamil Nadu where Sri Lanka is a potent issue - or to remove them from power as she now has done in Kashmir and Andhra Pradesh. She has also been trying for some months to topple the government in Karnataka and there is also a similar situation developing in the eastern state of Tripura.

The south of India is where Mrs Gandhi has lost most power to re-

gional parties. Early last year Mr Rama Rao's regional Telegu Desam Party ousted the Congress from power in Andhra Pradesh for the first time since India's independence in 1947.

Until a few months ago Mr Rama Rao looked fairly safe. He seemed to be treading a careful path in which he did not openly challenge Mrs Gandhi although he did play an increasing role in the Congress opposition parties. He also organised a group of opposition leaders to stand against the Congress in Andhra Pradesh, which probably angered Mrs Gandhi because it ruled out a joint carving-up of seats.

Recently Mr Rama Rao's administration has been swamped with allegations of corruption and nepotism - his sons-in-law exercise extensive power but have no elected position.

His illness and month's absence for treatment in the U.S. gave Mr N.

Bhaskara Rao, his Finance Minister, and the organiser of two unsuccessful coups against earlier administrations, the chance he had been waiting for.

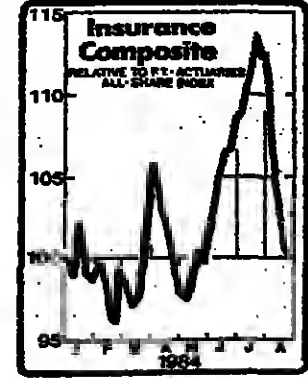
He now has a month in which to persuade enough members of the state parliament to back him and produce a majority. Mr Rama Rao is likely to consider whether to go ahead with his own plans to try to enter national politics as a member of the New Delhi parliament in the coming general election.

According to his supporters, he will be remembered in Andhra Pradesh for having replaced a bad Congress government with a positive style of administration which tried to tackle regional issues such as education and development, albeit with limited success. "I replaced a corrupt, incompetent and anti-people government," Mr Rama Rao said.

Rao sacked, Page 3

### THE LEX COLUMN

## Computer dating makes a match



If ICL really expected to be besieged with white knights after the bid from STC it must have been quickly disillusioned. The two managements have wasted little time baring their souls to each other and reaching agreement on the logic of a merger.

The City of London remains sceptical about the cause-and-effect behind this chain of events, but ICL's readiness to come to terms has encouraged a growing inclination to give STC the benefit of any doubts about the magic of convergent technology.

The increased terms of the offer - valuing ICL at about £410m against the original £380m - arguably include a small premium paid by STC for a quieter life.

Free-tax profits of a little over £50m at ICL in the current year would mean an exit p/e for the company of just over 10 times. This as well as some understanding on future management positions for key ICL executives has clearly smoothed the way for the two boards and should gladden the hearts of most ICL shareholders - though many may well repay the kindness by accepting STC's limited cash alternative.

Morgan Grenfell has not repeated its boldness in underwriting the whole of the first offer's cash alternative. Second time around, only half the offer has a cash option and the City has underwritten only two-thirds of that, though the sub-underwriting group will no doubt have been glad enough of the encore in the present more favourable market.

The potential cash drain on STC is about £51m. Adjusting the combined group's pro forma balance sheet for this, and cutting out goodwill on consolidation, the gearing of net debt to shareholders' funds emerges at 57 per cent.

This might yet add to STC's problems when the present microchip/computer cycle turns down, when there may be more to be heard about the changed, and lower, quality of STC's earnings - unless, of course, the group can begin to win by then the kind of applause for its broader vision which AT&T and Olivetti have already received.

evidently the official order of the day.

But, having made the point that 10% per cent base rates look low enough for the time being, there seems nothing to stop the Bank triggering the clearers' move with a further quarter per cent dealing rate cut today. Yesterday's public sector borrowing requirement (PSBR) and money supply figures contained no nasty surprises and, in the event, anyone at the Bank is interested, the exchange rate is encouragingly stable.

The U.S., as usual, could always upset this delicately balanced apple-cart. But the New York bond market took in its stride yesterday's news of a further rise in U.S. capacity utilisation, and the Bank itself probably has more parochial matters on its mind. Apart from anything else, it will be hoping to sell some - if not all - of the new top. Roughly £150m may have been sold at the minimum tender price yesterday, and a base rate cut would not exactly inhibit further sales today.

## Harvester near deal with Paris

By Paul Taylor in New York

INTERNATIONAL Harvester, the debt-laden U.S. farm machinery and truck group, said yesterday it was on the verge of signing a deal under which the French Government would help provide new loans designed to shore up Harvester's loss-making French subsidiary.

Mr Donald Lennox, Harvester's chairman and chief executive, said after news that the group had suffered another loss in the latest quarter despite sharply higher sales, that financial problems at the ailing French unit "are substantially behind us" as the result of a tentative agreement with the French Government.

He also revealed that the U.S. parent company had delayed consideration of a new five-year strategic plan, because of continued poor farm equipment sales in July.

Mr Lennox said the agreement with Paris is virtually complete and would provide for "an outright subsidy" from the French Government.

The Harvester chief executive gave few other details but said that under the agreement, the French authorities and the Harvester parent company would contribute equally to a loan for the French unit.

Harvester declined to specify the size of the new funds but said the French unit's current agreements with French lenders are due to expire on September 30 and that negotiations with the French Government will resume on September 10.

As part of the tentative agreement, Mr Lennox said Harvester would be allowed to dismiss about 350 employees from its farm equipment plants in France, bringing total employment reductions to date to "several thousands."

Harvester's operating loss of \$4.19m in its fiscal third quarter to July 31 represents a further slight improvement over the \$6.6m loss in the second quarter and a considerable improvement over the \$10.1m operating loss recorded in the same period last year.

An extraordinary \$2.83m tax charge resulted in a final net loss for the latest quarter of \$7.03m compared with \$13.1m in the year-ago period, when there was a \$30m provision for litigation. The third-quarter loss came despite steadily improving truck sales which helped lift turnover by 43 per cent to £26bn from \$893.8m.

The latest loss - Harvester's twelfth consecutive quarterly loss - brought operating losses for the first nine months to \$85.76m compared with a \$357.56m deficit a year earlier.

Harvester reported a net loss of \$62.7m in the latest nine months after a \$2.99m tax loss carryforward compared with a loss of \$40.14m in the same period last year. Then, a \$9.4m special gain was offset by a \$6m loss from discontinued operations, the \$30m provisions for litigation and a \$69m loss for reorganisation costs.

Sales for the nine-month period increased to \$3.49bn from \$2.5bn.

## W.German banks boost pre-tax profits 16% and lift reserves

By Jonathan Carr in Bonn

WEST GERMAN banks boosted pre-tax profits in 1983 by 16.3 per cent to DM 19.4bn (\$8.7bn) - the fourth successive year in which earnings increased sharply while reserves strengthened against risks at home and abroad.

In its August report released today the Bundesbank stresses that this four-year run was exceptional since previous periods of sharp profit recovery had not exceeded two years.

The central bank leaves open whether the trend will continue for 1984, when most banks have already reported lower interest margins and profits for the first half.

Moreover, the Bundesbank's figures for 1983 reveal big differences in the profit performances of the individual banking sectors.

While the "big banks" - Deutsche, Dresdner and Commerzbank - the

regional banks and the central giro institutions recorded above-average increases in pre-tax profits the credit co-operatives among others - showed a below-average rise.

Last year's average increase in pre-tax profit was less than the 30.3 per cent boost of 1982, reflecting a slowdown in business growth.

Measured as a share of average business volume the 1983 profit figure turns out to be one of the best ever - 0.68 per cent, compared with 0.63 per cent in 1982 and 0.76 per cent in the record year 1980.

Contributing greatly to the result was a rise of 7.1 per cent to DM 64.2bn in the interest surplus. While the banks' interest receipts fell 6.1 per cent, this fall was far outweighed by a fall of nearly 13 per cent in the interest they paid.

The Bundesbank, which helped engineer falling rates generally by

cutting its key discount and Lombard rates, is known to have mixed feelings about the big interest margins achieved by the banks.

The central bank welcomes the fact that the commercial banks, above all those deeply involved in foreign lending, were thus able greatly to boost their risk provision, but feels the banks have on occasion been too slow to hand on the benefits of lower rates to their customers thus tending to prolong general economic downturn.

Reuter reports from Munich: An expected slowdown in West Germany's economy in 1983 and success in cutting public deficits suggest the Government could make a bigger and earlier overhaul of income tax than it plans, the IFO economic research institute said in a special report published yesterday.

## Philips profits up 110%

By Walter Ellis in Amsterdam

PHILIPS, the Dutch electronics group, increased its earnings by 110 per cent to Fl 544m (\$188m) in the first half, putting it well on the way towards its full-year target of Fl 7bn. Its sales advanced by 17 per cent to Fl 24.2bn.

In the second quarter, earnings were up 81 per cent to Fl 262m with sales ahead 18 per cent to Fl 12.1bn.

Earnings had grown by 131 per cent in the first quarter, and it may have been marginal disappointment at the second-quarter figures that put slight pressure on Philips' share price in Amsterdam yesterday. The shares closed 40 cents down at Fl 48.40.

Net profit per ordinary share for the second quarter was Fl 1.24, compared with 67 cents in the equivalent period last year, while for the six months the figure was Fl 2.58, against Fl 1.26.

Trading profit for the first half came to Fl 1.65bn, a 47 per cent advance, but growth in the second quarter, to Fl 805m, was up just 30 per cent. Gross earnings in the half reached Fl 1bn, up 80 per cent, with the second-quarter equivalent up by 80 per cent, to Fl 502m.

In terms of sales, the fastest growth was shown in the industrial supplies sector, in which integrated circuits, discrete semiconductors and colour picture tubes did particularly well. Batteries and lighting also put in strong performances.

The growth in sales in the home electronics division was limited. Philips had had problems here, with its 2000 video cassette recorder system and Laser-Vision. Currently it is preparing to launch VHS-format video recorders on the European market, and hopes to see improvements in its overall market share as a result.

The Western economic recovery and the strong dollar helped bring about a sharp improvement in sales in North America. Sales in Asia rose sharply as well.

## U.S. debt issue proposals

Continued from Page 1

among them the financing of our deficit, at the lowest possible cost, and the collection of all legitimate taxes, in the most efficient and productive manner possible."

Despite this optimism, some Wall Street economists expressed reservations. Mr David Jones, of Aubrey Lanston, said that it was "still very unclear as to how strong foreign investor demand is going to be for any of these types of issues."

Maggie Urry in London writes: Reaction to the statement in the Eurobond markets was muted yesterday as dealers waited for more details of the U.S. proposals rather than making snap judgments.

There had been fears at the time of the lifting of the 30 per cent with-

holding tax on income paid to foreign investors in U.S. bonds that if the U.S. Treasury issued bearer bonds - allowing investors anonymity - it would attract funds away from the Eurodollar market.

Yesterday's limitation on the Government to issuing registered securities was, therefore, regarded as "good news on balance."

The promised provisions for a "special registration" for non-U.S. bond holders caused some speculation, however. One new issue manager said: "Until I see what the certification procedures are, I cannot say whether European investors will buy them."

Certain European investors are anxious to maintain their secrecy,

if they are required to demonstrate to the U.S. Government that they are not U.S. citizens in a way which reveals their identity, they may prefer to forego the pleasure of buying U.S. Treasury bonds.

U.S. companies will in future be allowed to issue bearer bonds directly from the U.S., rather than through offshore subsidiaries, though on this point, too, issue managers will want to look carefully at the details of the changes expected to be announced today.

Recent Eurodollar bond issues by U.S. companies have included provisions to switch the borrowing back to the U.S. if and when such regulations were introduced.

### Royal Insurance

Yesterday's 22p jump in Royal Insurance's share price, to 472p, might seem a very generous response to interim pre-tax figures of £1.9m short of break-even. But there was a feeling of relief in the

### Interest rates

Yesterday's quarter point cut in official dealing rates offered a fine illustration of the guarded enthusiasm at which the Bank of England excels. The money markets were openly inviting a half point cut early yesterday morning but, after last week's scamper down to base rates of 11 per cent, caution is

1983 Rank	Company	1982 Rank	Parent Company HQ	European Data Processing Revenues 1983 (\$m)	% Change European Data Processing Revenues 1982/83	% Change European Data Processing Revenues (in accounting currencies)
1	IBM*	1	U.S.	10,758	+10.4	+10.4
2	Bull	4	France	1,378	+14.3	+33.1
3	Siemens	3	West Germany	1,276	+10.0	+17.0
4	Orvot	2	Italy	1,305	NM	NM
5	Digital	5	U.S.	1,107	+ 6.9	+ 6.9
6	ICL	6	UK	1,016	+ 2.2	+18.2
7	Burroughes*	7	U.S.	977	+ 0.7	+ 0.7
8	Mitsubishi	7	West Germany	922	+15.8	+21.5
9	Philips*	11	Netherlands	858	+ 6.0	+16.0
10	Hewlett Packard	13	U.S.	814	+16.4	+18.4
11	Sperry	8	U.S.	705	- 7.2	- 7.2
12	DEC*	12	U.S.	693	+ 2.7	+ 2.7
13	Control Data	10	U.S.	617	-22.5	-22.5
14	Honeywell*	15	U.S.	484	+ 1.3	+ 1.3
15	Wang	18	U.S.	348	+27.5	+27.5
16	Thomson-CSF	16	France	341	+14.0	+22.1
17	Ericsson Inf. Systems	17	Sweden	334	+16.4	+42.2
18	Kienzle	19	West Germany	278	+12.6	+18.3
19	Thorn EMI	NM	UK	215	+15.9	+29.1
20	Rank Xerox*	21	U.S.	208	- 2.4	- 2.4
21	Ferranti	24	UK	203	- 2.5	+11.3
22	Amdahl	NM	U.S.	181	+40.3	+40.3
23	Plessey*	23	UK	177	+13.1	+ 0.7
24	ITT*	20	U.S.	166	-24.5	-24.5
25	Data General	25	U.S.	163	+ 3.8	+ 3.8

NM - Not meaningful. \* Not available. \* Some figures based on estimates. \* Data processing revenues include all activities. \* Figures for Europe include African revenues. \* Data processing revenues include photocopiers. Source: Datamation

Area	Temp	Wind	Cloud	Pressure	Humidity	Sea
Amman	25	7	0	1013	65	0
Algiers	28	8	0	1012	68	0
Ankara	20	8	0	1012	68	0
Antwerp	18	10	0	1012	68	0
Athens	21	8	0	1012	68	0
Bahia	26	8	0	1012	68	0
Bangkok	28	8	0	1012	68	0
Bombay	28	8	0	1012	68	0
Buenos Aires	20	8	0	1012	68	0
Calcutta	28	8	0	1012	68	0
Cairo	28	8	0	1012	68	0
Cardiff	18	10	0	1012	68	0
Chennai	28	8	0	1012	68	0
Copenhagen	18	10	0	1012	68	0
Dakar	28	8	0	1012	68	0
Delhi	28	8	0	1012	68	0
Dublin	18	10	0	1012	68	0
Geneva	18	10	0	1012	68	0
Hanoi	28	8	0	1012	68	0
Hong Kong	28	8	0	1012	68	0
London	18	10	0	1012	68	0
Los Angeles	28	8	0	1012	68	0
Lyons	18	10	0	1012	68	0
Manila	28	8	0	1012	68	0
Medan	28	8	0	1012	68	0
Mumbai	28	8	0	1012	68	0
Nairobi	28	8	0	1012	68	0
Paris	18	10	0	1012	68	0
Rangoon	28	8	0	1012	68	0
Reykjavik	18	10	0	1012	68	0
Rome	18	10	0	1012	68	0
Singapore	28	8	0	1012	68	0
Sydney	18	10	0	1012	68	0
Taipei	28	8	0	1012	68	0
Tokyo	18	10	0	1012	68	0
Yokohama	18	10	0	1012	68	0

## Bull's European lead

Continued from Page 1

excludes data transmission revenues.

There are four British companies in the top 25, the largest number from any European country. A newcomer to the list is Thorn EMI, whose recently-formed information technology division embraces software, computer services and data storage and communications equipment.

Of 200 co-operative agreements concluded by European electronics companies in 1982 and 1983, 50 per cent were with U.S. partners, 20 per cent with Japanese and only 10 per cent with other European organisations.

Measured in dollars, Amdahl of the U.S. showed the highest increase in European revenues last year with 40 per cent growth. But in national currency terms, Ericsson Information Systems of Sweden did

## Dispute over plans for lead-free fuel

By Dominic Lawson in London

THE EUROPEAN motor and oil industries are at loggerheads over the type of unleaded petrol to be introduced in the European Community in 1989.

In June EEC environment ministers agreed that new cars must run on lead-free petrol in 1989, but the ministers did not resolve the key question of the octane quality of the lead free petrol to be made available.

The oil industry is lobbying intensively for the introduction of a single new grade of 94 octane unleaded petrol. The car manufacturers have been equally vehement in proposing two new grades of unleaded petrol, 92 octane and 98 octane.

The problem for the oil industry is that the production of large quantities of unleaded 98 octane petrol would be prohibitively expensive in terms of the cost of converting existing refining facilities.

According to one oil company chief executive it would cost European refiners about \$2bn to convert to production of a single 94 octane unleaded petrol, but between \$5bn and \$8bn to convert to the production of the two grades advocated by the motor manufacturers.

The motor industry prefers the two grade system because the qualities produced would be close enough to those in current use to rule out the need for major engine modifications.

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SECTION II - INTERNATIONAL COMPANIES  
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**KLM dividend likely as growth continues in first quarter**

By Walter Ellis in Amsterdam

KLM, the Dutch national airline, more than doubled its first-quarter earnings to Fl 89m (\$27.4m) compared with the first three months of fiscal 1983. Its aircraft load factor from April to June increased from 82.2 per cent of capacity to 88.7 per cent.

A dividend for 1984 - the first since 1978 - is expected if the annual net result exceeds Fl 200m.

KLM has emerged well from the economic recession as one of the most consistently profitable airlines. Further growth is expected in the second quarter, but at a reduced rate.

KLM's share price closed down 50 cents at Fl 178.

Earnings per Fl 100 nominal share are listed at Fl 11.85 in respect of the total number of outstanding shares in 1984 of 7.66m. Last year, first-quarter share earnings were Fl 8.5, with the number of

shares then 4.55m.

Traffic, made up of passengers, freight, postal and charter flights, rose by 12 per cent, to 780m ton-kilometers. Scheduled passenger traffic increased by 8 per cent, and the volume of freight carried rose by 19 per cent.

Operating income for the three months reached Fl 84m - up by 40 per cent - and the final net result was achieved following the addition of Fl 25m realised from aircraft sales pending major fleet renewals.

Two Airbus A310s, added to the KLM fleet last year, were bought under a leasing agreement during the first quarter, releasing Fl 285m for other purposes.

KLM increased its authorised share capital a month ago to allow for possible new share issues. None, however, have so far been announced. The airline is 55 per cent owned by the Dutch state.

**Aerospace group fails in Fenner share bid**

By Alexander Nicoll in London

BRITISH aerospace company Hawker Siddeley's £43m (\$68.33m) bid for Hull-based engineering group J. H. Fenner lapsed yesterday after it failed in a last-ditch attempt to win control through purchases of Fenner shares on the stock market.

Hawker's final tally of Fenner shares which it owned or for which it had received acceptances was 44 per cent.

The total included 1.24m shares, or 7.3 per cent, purchased in the market yesterday by Hawker's stockbrokers, Cazenove.

Cazenove's aggressive bids for shares were countered by Scrimgeour Kemp-Gee, acting as brokers for Hill Samuel, Fenner's merchant bank advisers.

Cazenove was believed to have obtained its shares in a few large transactions. Scrimgeour, which entered the market partly to show that Fenner's strong resistance to the bid was not cracking, picked up only a few shares.

The brokers' action produced an exciting day's trading in Fenner shares, which rose 18p to 141p at one stage, roughly equivalent to the bid price, before dropping back to close at 128p. Cazenove's purchases were all at 140p.

Hawker shares held at 43p for much of the day, valuing its offer at 141p. But on news of the bid's failure, they slipped to close at 42p down 5p on the day.

With acceptances of the Hawker bid totalling only 20.5 per cent of Fenner shares, the market purchases were not enough to boost Hawker's long-held 18.4 per cent stake in Fenner to a majority.

Mr Peter Barker, Fenner chairman, said that the result showed that "the offer really was too low."

Hawker was offering two of its own shares plus 40p in cash for every nine Fenner shares, and had insisted that this was generous to view of Fenner's past profit performance and prospects, and its high level of borrowing.

**PHW SURGES AHEAD DESPITE A TWO-WAY BATTLE FOR CONTROL**

**Clash of the steel barons nears climax**

By Jonathan Carr in Frankfurt

PHW WESERHÖTTE (PHW), one of the world's leading bulk materials handling concerns, is the object of a bitter struggle by its two shareholders which seems set to reach a climax next week.

At the centre of the drama are three men who, in different ways, have set their stamp on West German industry. One is Herr Otto Wolff von Amerongen, aged 65, the tough and eloquent chief of the Otto Wolff steel trading and capital goods concern which holds just over 50 per cent of the share capital of PHW.

The other is Dr Detlev Carsten Rohwedder, aged 51, boss of the Hoesch steel company which holds the remaining PHW shares - to the deep annoyance of Herr Wolff.

The third man, caught uncomfortably in the middle between the disputing parties, is Herr Peter Jungen, aged 44, the dynamic chief executive of PHW. Herr Jungen is the main architect of a strategy which has brought PHW fast expansion abroad and profits even last year when many recession-hit rivals

were still in the red.

PHW results from a 1980 merger between Pöhlig-Heckel-Bleichert, a mechanical handling equipment concern owned by Arbed of Luxembourg, and Weserhütte, a mining plant and machinery company owned by Otto Wolff.

The merger paid off handsomely because, broadly speaking, the products of the two partners were complementary. PHW could offer customers a full range of materials handling equipment ranging from mining, stockpiling and loading machinery to mechanical crushers and feeders.

The other key element to success has been Herr Jungen's drive to establish or acquire subsidiaries abroad to attack foreign markets from the inside. The strategy allowed PHW to benefit from foreign export financing facilities generally better than those available at home, and it has made the group largely independent of currency fluctuation. The result is a concern which last year had total sales of DM 1.2bn - more than 80 per cent of

that abroad - and all of whose subsidiaries are in the black.

It is not least PHW's strength abroad which is of interest to Dr Rohwedder, who with grim determination and against the odds has dragged Hoesch back into profit since he took over as chief executive in 1978. Hoesch is 75 per cent owned by Orenstein and Koppel, a construction machinery company with sales of over DM 1bn but struggling out of the red after serious management problems a few years ago.

From Dr Rohwedder's viewpoint a merger between O and K, which does not have an extensive foreign base, and the "mini-multinational" PHW would help Hoesch in its drive to diversify out of steel.

Last year Dr Rohwedder saw his chance and pounced. For DM 53m he bought the full 49.58 per cent in PHW held by Arbed. Otto Wolff, who held 49.94 per cent - with the few remaining shares in other, private hands - was furious. For one thing he felt he had had first option to buy Arbed's stake if the Luxem-



Herr Jungen: caught in the middle

burgers decided to sell. This view is now being tested in the courts. For another, Herr Wolff sees no sense in a PHW - O and K merger. Herr Wolff is not a man to trifle with. He managed to scoop up the few PHW shares still in private hands to give himself a razor-thin 50.4 per cent majority.

At the PHW annual meeting last month the two Arbed representatives on the PHW supervisory board announced understandably that they were giving up their places. Herr Wolff proposed that another shareholders meeting to be held on August 29 to appoint two new supervisory board members - one Dr Oetker and the second a member of the managing board of Otto Wolff.

Dr Rohwedder was not taking that lying down. Using a legal loophole, Hoesch appealed to a Cologne court to appoint immediately two new members to the PHW supervisory board - one of them already a member of the supervisory board of Hoesch.

The court complied and Hoesch promptly announced that a new shareholders meeting would be superfluous.

Not so, insisted Herr Wolff. He is sticking to the August 29 date and plans to use his majority to put in his two candidates and so remove the court-appointed ones.

**Volvo oil subsidiary returns to profit**

By David Brown in Stockholm

SCANDINAVIAN Trading Company, the oil trading subsidiary of the Volvo automotive group which ran up heavy losses last year, has returned to profit for the first six months after a drastic scaling down of its operations.

The group showed a profit of SKr 71m (\$8.5m) after net financial costs but before extraordinary items, compared with a loss of SKr 288m registered last year.

Sales fell from SKr 24bn to SKr 13bn after a decision by the new Volvo-appointed management to reduce oil trading volumes and cut risk exposure.

The profit was charged with a SKr 64m extraordinary item related mainly to the disposal of its former Scandrift oil and gas exploration unit, which was hit by losses totalling almost SKr 1bn last year. It was forced to write down the appraised value of its proven reserves

by about 60 per cent, and was sold by STC to the Bankers Trust Company for \$1 in May to avoid foreclosure on a \$105m loan.

STC made a \$12m cash payment to Scandrift before the transfer and paid \$57m of the loan. It also granted Scandrift an interest-free five-year loan of \$10m.

Volvo, which backed these terms, will be repaid by STC when the group floats its profitable STC Financial subsidiary on the Stockholm exchange within a year.

Volvo was forced to step in twice last year to keep STC out of liquidation following a series of disasters in oil futures speculation and normal oil trading operations. At one point the company was threatened with expulsion from the Stockholm bourse but was fined instead. STC accounted for about a third of Volvo's turnover last year.

**Swiss turbine maker loses SwFr 20m**

By Anthony McDermott in Geneva

ATELIERS DES CHARMILLES, one of Geneva's largest industrial concerns, suffered a loss of SwFr 20m (\$8.3m) during the year ended March 31.

Charmilles was renowned for its production of turbines and is still a leading producer of electro-erosion machinery. Although industry in Geneva has fared badly in recent years - indicators for the first quarter suggest a gentle recovery - Charmilles' losses reflect most of all the fact that the company is being restructured.

The company has divested itself of interests in heating (sold to the K&S group), and hydraulics, and part of its electro-erosion activities to the Georg Fischer group. The rationalisation measures have raised the question whether Ateliers des Charmilles intends to become a company interested purely in financial investments or will invest in specific industries.

**Hewlett-Packard improves sharply**

By David Blackwell in New York

HEWLETT-PACKARD, the U.S. electronics and computer company, recorded strong gains in both earnings and sales in its third quarter and nine-month results.

The quarter showed an increase of 47 per cent in net profits to \$134m or 52 cents a share, against \$91m or 35 cents a share last time. Sales increased from \$1.15bn to \$1.56bn.

At the nine month stage earnings soared by 74 per cent to \$486m against \$285m, or \$1.94 a share against \$1.12 a share. Sales increased from \$3.38bn to \$4.36bn.

Mr John A. Young, president and chief executive, said the company's orders had grown dramatically to the quarter in spite of the strength of the dollar.

"We are extremely pleased with the acceleration in international or-

**Amdahl to reduce workforce by 4%**

By our New York staff

AMDAHL, the U.S. manufacturer of IBM-compatible mainframe computers, is to cut its workforce by about 4 per cent as part of several steps to streamline its operations.

Last month the company reported second quarter operating earnings down 80 per cent from \$8.8m or 20 cents a share to \$4.8m or 11 cents on revenues up from \$180.8m to \$198.8m.

Operating earnings for the half fell from \$13.8m or 31 cents a share to \$8.1m or 20 cents on revenues up from \$352.5m to \$371.4m.

Mr John C. Lewis, President, said: "We have taken steps necessary to streamline our operations so that we can maintain our competitive position in the marketplace. These actions will result in a reduction in staff of less than 4 per cent of our worldwide employment base."

Mr Lewis said he continued to expect a significant improvement in revenues in the second half.

Discontinues, the U.S. maker of medical imaging equipment which went public in February last year, reported a second quarter loss from continuing operations of \$30.9m against a net profit from continuing operations of \$2.3m or 5 cents a share last time. In the latest quarter a \$8.6m loss from discontinued operations made the final net loss \$40.6m, while in the year ago quarter of a \$935,000 loss from discontinued operations gave a final net profit of \$1.38m or 3 cents a share.

For the half the loss from continuing operations reached \$32.1m, against net profit from continuing operations of \$4.5m or 9 cents a share last time.

**Novo in insulin venture**

By Hilary Barnes in Copenhagen

NOVO, the Danish pharmaceuticals and enzymes manufacturer, has concluded an agreement with CSL (Commonwealth Serum Laboratories Commission), of Melbourne, Australia, for the production of insulin in Australia, New Zealand and Oceania.

The agreement with one of Australia's oldest pharmaceutical manufacturers, with a turnover of about A\$60m (U.S.\$30.5m), will consolidate Novo's position in the Australian market, where it has a half share of a market with an estimated value of just under A\$10m, said Mr Soren Frydland, of Novo pharmaceuticals division.

The production plans involve the purification in Denmark by Novo of crude insulin produced by CSL. The purified products will be returned to Australia for packaging, marketing and distribution.

Lysek Bank, the fast growing Jutland-based bank, increased first half earnings before provisions from Dkr 59m (\$9m) to Dkr 151m, but after an adjustment for the value of its portfolio of bonds and shares the bank reported a loss of Dkr 398m compared with a first-half profit last year of Dkr 1.0bn.

**Finnish debut for merchant banking**

By Lance Keyworth in Helsinki

SELFINA FINANCIAL Services, the first company in Finland to offer merchant banking facilities will begin trading on Monday.

It will also deal in securities quoted on the Helsinki stock exchange in co-operation with stockbrokers Erik Selin.

It will engage in money broking, investment management and corporate finance, including advisory services for foreign exchange, foreign business establishment, and acquisitions.

Selina's rules allow 20 per cent of its equity to be held by foreign investors.

**Mid-Eastern group improves by 15%**

By Mary Frings in Bahrain

THE ARAB Investment Company (TAIC), the Riyadh-based financial conglomerate owned by 15 Arab states, has reported a 15.6 per cent increase in interim net profits from \$11.2m in the first half of 1983 to \$12.9m at the end of June 1984. Operating profits were \$14.3m, up from \$12.6m, while provisions and adjustments of \$1.37m were marginally lower than last year.

**Paul Taylor examines a fledgling industry's outlook**  
**Satellite broadcasting on trial**

WHEN CBS, the U.S. broadcasting giant, pulled out of a planned satellite-to-home television programme plan last month citing the pressure of regulatory deadlines and uncertainty about technology and marketing, an infant industry was shaken to its roots.

With Europe and the rest of the world watching, direct broadcast by satellite (DBS) is on test in the U.S.

Even before the first "true" DBS service has got off the ground using high-powered satellites to beam down television programmes to small roof-top dishes, the industry's future appears to have been thrown into doubt by CBS's recognition of the large capital costs of starting a service at a time when the potential DBS market is being dramatically revised downwards.

Although the CBS decision was perhaps the greatest shock to the industry because the broadcasting and entertainment company had been viewed as "one of the serious DBS contenders," it is far from alone in backing out.

Only five out of eight DBS proposals approved by the U.S. Federal Communications Commission (FCC) two years ago, met an FCC-imposed "due diligence" deadline last week to show they were still serious about building a DBS network. Several of those projects are now in serious doubt because of funding problems.

Aside from CBS, which pulled out leaving its joint venture partner, Communications Satellite (Comsat), looking for a new partner to share costs, other major U.S. corporations to pull the plug on DBS

within the past few weeks include Western Union and RCA, which did not abandon DBS entirely but which postponed its plans, apparently indefinitely.

Even ahead of these setbacks Mr Rupert Murdoch, the Australian publisher, had fired with DBS only to withdraw a few months later with little explanation - but leaving a string of lawsuits.


Perhaps most crucially, United Satellite Communications, which beat the rest of the DBS hopefuls in the race to offer a commercially available DBS service using leased, lower power satellites late last year, has provided a less than sparkling example.

Two months ago United Satellite, another joint venture launched with \$34m in original capital by Prudential Insurance Company of America which has a 51.9 per cent stake - General Instrument has an 11.9 per cent stake and is the major equipment contractor, while two private investors own 21.2 per cent - admitted it was seeking new financial partners.

The search for new partners followed the failure of a \$40m private placement launched for United Satellite earlier this year and handled by Salomon Brothers and Morgan Stanley, two of the leading Wall Street investment firms.

After a slow start in Indiana, United Satellite has expanded its service, which uses lower powered satellites and large dishes, to Baltimore, Washington and Philadelphia. The company, however, needs more capital to expand its service if it is to capitalise on being first into

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INTL. COMPANIES & FINANCE

Malaysian senator to give up bank post

By Wong Sulong in Kuala Lumpur  
SENATOR ALEX LEE, the Malaysian banker politician, is to resign as general manager of Development and Commercial Bank, Malaysia's fifth-largest bank, following criticism of his way of running the bank.

Confirming his resignation, Senator Lee, however, said he would remain on the board. The dispute has been going on for the past several years. It flared up into the open at the recent annual general meeting, when shareholders questioned Senator Lee's style of management.

They were particularly critical of the loan of \$3m ringgit (U.S.\$55.7m) given to MPC Holdings, which is controlled by Datuk K. K. Sharma, the commodity trader. DCB is now trying to recover it through a public auction of land belonging to MPC Holdings.

The problem loan forms the central point of two letters written by Tan Sri Aziz Zahari, the Central Bank governor to Tun H. S. Lee, DCB's chairman, in August 1982 and March this year. The governor expressed dissatisfaction over Senator Lee's running of the bank.

The 63-year-old Tun Lee, a former Malaysian Finance Minister, is Senator Lee's father. He founded DCB in 1968. DCB went public last year, with a paid-up capital of 118m ringgit and recorded after-tax profits of 28.5m ringgit for 1983. Apart from Senator Lee's resignation, the DCB management board will be expanded from three to five. Two members will come from the Lee family.

Darling cautious despite strong first-half advance

By Jim Jones in Johannesburg

DARLING AND HODGSON, the South African construction company, is cautious on immediate prospects because operations are facing a difficult time as a result of lack of work and very competitive margins, Mr John Hodgson, the chairman, said.

In the six months ended June 30 the group increased its turnover by 3.9 per cent to R384.4 (\$236.8m) from R370m. Trading profit before interest and tax was 28.3 per cent higher, at R28.3m against R22.1m. Turnover was R763.6m

for 1983 as a whole and operating profit R52.8m. Pre-tax profits have been cut by a significantly higher interest bill. It rose to R13.5m from R7.1m in the first half of 1983 and compares with R16.8m for the whole of 1983.

The company has acquired a 30 per cent interest in Blue Circle, the cement manufacturer, and on an equity basis accounted pre-tax profit of R2.6m from this source during the half year. In addition Darling's construction opera-

tions have been merged with those of its subsidiary, the Group Five Construction company. First-half earnings slipped to 45 cents a share from 49 cents and an unchanged interim dividend of 27 cents has been declared. In 1983 earnings totalled 135 cents and a total dividend of 48 cents was declared. The directors expect this year's earnings to be lower than those of 1983, but say an unchanged dividend should be paid.

Debt charges slow Group Five

By our Johannesburg correspondent

GROUP FIVE, the South African building and engineering company which is 65.5 per cent owned by Darling Hodgson, is having to struggle to maintain profitability, its board says.

Although the consolidation of the construction division of Darling under Group Five helped increase first-half turnover to R276m (\$170m), and operating profit to R7.4m, the

group's greater size has led to a higher debt exposure. The interest bill for the six months to June was R2.9m compared with R481,000 for the group before the addition of the Darling unit.

Group Five's results for the last (and uncomparable) six-month period, which ended in February 1983, showed a turnover of R132.6m and an operating profit of R4.5m.

The company says that orders to hand are at a satisfactory level but cautions that these have been won at the expense of margins. In addition, the amount of new business on offer at present is low.

However, it is expected that the annual dividend of 32 cents will be maintained. An interim dividend of 10 cents has been declared on earnings per share of 34.5 cents.

All the securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

THE SEIYU, LTD.

(Kabushiki Kaisha Seiyu)

SEIYU

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13 3/8% Guaranteed Bearer Notes Due 1989

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Issue Price 100 per cent.

DAI-ICHI KANGYO INTERNATIONAL LIMITED  
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KLEINWORT, BENSON LIMITED  
LTCB INTERNATIONAL LIMITED  
MERRILL LYNCH CAPITAL MARKETS  
UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

18th JULY, 1984

Ireland  
£50,000,000 Floating Rate Notes 1993  
In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 14th August, 1984 to 14th November, 1984 has been fixed at 10 1/2 per cent per annum. Coupon No. 4 will therefore be payable at 563.40 per coupon from 14th November, 1984.  
S.G. Warburg & Co. Ltd. Agent Bank

CANADIAN \$75,000,000 PROVINCE OF NEW BRUNSWICK Floating Rate Notes due May 1994  
Notice is hereby given that in respect of the interest payable on August 17 to November 19, 1984, the Notes will carry an interest rate of 12 1/2 per cent. The amount payable on November 19, 1984, will be U.S.\$322.13 for Bearer Notes of Can.\$10,000 principal amount and Can.\$32.21 for Bearer Notes of Can.\$1,000 principal amount. Can.\$32.21 will be payable on each Can.\$1,000 principal amount of a Registered Note.  
August 17, 1984  
THE CHASE MANHATTAN BANK N.A. LONDON, AGENT-BANK

PREMIER GROUP HOLDINGS LIMITED  
U.S.\$50,000,000 Floating Rate Notes due 1989  
NOTICE IS HEREBY GIVEN that the Rate of Interest for the second 3 month sub-period on Coupon No. 1 has been fixed at 12 1/2 per cent and that the interest payable in respect of U.S.\$10,000 amount of the Notes will be U.S.\$326.39. The total amount due for Coupon No. 1 due November 19, 1984, will be U.S.\$552.22.  
August 17, 1984  
CITIBANK, N.A. (CSI Dept), Agent Bank

SONATRACH  
U.S.\$50,000,000 Floating Rate Notes due 1991  
NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 13 1/2 per cent and the Coupon Amount payable February 19, 1985, against Coupon No. 12 will be U.S.\$681.35.  
By CITIBANK, N.A., LONDON  
August 17, 1984  
Agent Bank

This announcement appears as a matter of record only.



\$88,500,000

Limited Recourse Leveraged Lease Financing of 6 BAe 146-200 Aircraft

to be leased to

Pacific Southwest Airlines

The undersigned acted as financial advisors to the equity participants, initiated, structured and arranged the equity participations in the transaction and assisted in the negotiations.

Lehman Brothers Commercial Union Capital  
Shearson Lehman/American Express Inc. Corporation

July 1984

GENBEL INVESTMENTS LIMITED

formerly

GENCOR INVESTMENT CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

FINANCIAL RESULTS IN RESPECT OF THE EIGHTEEN MONTHS ENDED 30 JUNE 1984 AND DECLARATION OF DIVIDEND

The unaudited consolidated financial results for the eighteen months ended 30 June 1984 and the comparative figures for 1982 show:

	July 1983/ June 1984	January/ June 1983	Year 1982
Income before taxation	Rm 59.2	Rm 17.1	Rm 28.1
Taxation	Rm (1.9)	Rm (0.2)	Rm (0.2)
Preference dividend	Rm (0.6)		
Surplus on realisation of investments (net)	Rm 8.1	Rm 0.3	Rm 1.6
Written off investments	Rm (3.5)		
Income after taxation	Rm 59.1	Rm 17.1	Rm 29.5
Ordinary shares in issue	(000's) 32,396	19,800	19,900
Earnings per share - cents:			
including investment transactions	183	86	151
excluding investment transactions	175	86	143
Dividends per share	150	50	130
Special interim dividend		20	
	30 June 1984	31 December 1982	
Investments at market value/ directors' valuation	Rm 1,059		Rm 527
Net assets value per share	cents 3,155		cents 2,732

Final Dividend declared on 16 August 1984 - Payable on 27 September 1984. Amount per share 85 cents - Currency conversion 17 September 1984.

Copies of the full financial results and dividend declaration may be obtained from the office of the London Secretaries, 30 Ely Place, London EC1N 6UA.

TEOLLISUDEN VOIMA OY -INDUSTRINS KRAFT AB. (TVO Power Company)

Kuwaiti Dinars 7,000,000  
7 7/8% Guaranteed Bonds due 1989

In accordance with the conditions of the issue, notice is hereby given to bond holders that nominal KD.600,000 of the above bonds have been redeemed by the borrower as mentioned below, pursuant to Clause 9A of the Terms and Conditions of the Bonds for the year ending 15th September 1984.

3229 to 3800  
6551 to 6578

The principal amount of the Bonds outstanding after 15th September, 1984 is KD.5,800,000.

المسكونة الكويتية القوتية اارة والاعااa

Omar Bin Al-Khattab Street,  
P.O. Box No. 5665, Safat,  
Kuwait City, Kuwait.

This announcement appears as a matter of record only.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

£100,000,000 LOAN STOCK 2003  
FURTHER ISSUE

of the  
11 1/2% LOAN STOCK 2003  
Issue Price £99.161 per cent.

The further issue of £100,000,000 11 1/2% Loan Stock 2003 has been admitted to the Official List of The Stock Exchange of the United Kingdom and the Republic of Ireland for quotation in the Gilt-edged market.

The basis of allotment is as follows:

Nominal Amount Applied For Up to and including £300,000 Thereafter

Basis In full 78.5% of amount applied for, rounded to the nearest £100 with £50 rounded downwards.

The first payment of interest due on May 9, 1985 will amount to £4,940 per £100 nominal amount of Stock.

Dealings will begin at 9.30 a.m. on Friday, August 17, 1984 for deferred settlement on Thursday, August 23, 1984.

Baring Brothers & Co., Limited  
on behalf of

International Bank for Reconstruction and Development



**INTL. COMPANIES**

**INTERNATIONAL APPOINTMENTS**

**North American regional director for Midland Bank**

Mr Douglas S. Werlich has been appointed regional director, North America for MIDLAND BANK, from September 1. Based in New York, he will have responsibility for all Midland's direct banking business in the U.S., including the New York branch, and for Midland Bank Canada. In addition, his responsibilities will include the London-based correspondent banking and corporate banking support units for North America activities. Mr Werlich is currently executive vice-president of Algemene Bank Nederland's regional office for North America, which encompasses 12 offices in the U.S. and Canada. Mr Bernard J. Lind, executive vice-president and treasurer, New York branch, will also become branch manager. Mr Hugh M. Pattinson, executive vice-president of Midland Bank, who was previously regional director, has been seconded to Crocker Bank, Midland's subsidiary, based in San Francisco. Mr Harry P. Applanalp, currently executive vice-president and chief manager, will be resigning from the bank to join Stern Stewart Putnam & Macklis, corporate financial consultants and publishers of the Midland Corporate Finance Journal.

MINSTER BANK'S chief manager in Japan, based in Tokyo. Prior to this appointment, Mr Hodge was the manager responsible for the chemical industries in the corporate financial services region in London.

PHILIPS DODGE CORPORATION has elected Mr Edward J. O'Sullivan as controller. He was senior assistant controller in 1982.

Mr Stephen E. Spathoff has been named treasurer of PLAYBOY ENTERPRISES, Inc. Previously assistant treasurer, he will have responsibility for planning, monitoring and evaluating all of the corporation's assets and liabilities as well as bank and financial community relations.

Mr Rod G. Wilson has been named president of PLAYBOY ENTERPRISES, Inc. He was senior vice-president serving on temporary duty from BP Coal, London, where he was assistant technical manager and was responsible for BP Coal's worldwide exploration programme. BP Coal North America is based in Lexington, Kentucky, and is engaged in exporting coal to BP Group customers in Europe.

Mr David H. Horowitz has been appointed president and chief executive officer of Warner Amex Cable Communications' new company MTV NETWORKS INC.

Mr Neal P. Cramer has been promoted to president of LITTON'S Western Geophysical Company of America. He was executive vice-president and succeeds Mr Howard Dingman, who was named chairman of the Houston-based Litton unit. Mr Dingman continues as a Litton corporate senior vice-president and head of Litton's resource services group. He succeeds Mr Booth B. Strange, who has retired.

Mr Roberts Beck has been appointed a director of POWELL DUFFRYN SHIPPING SERVICES, shipping services subsidiary of Powell Duffryn. He resides in Rio de Janeiro and is general manager of Cory Irmaos, Powell Duffryn Shipping Services' subsidiary in Brazil.

ENVIRONMENTAL RESEARCH & TECHNOLOGY INC. has appointed Mr Douglas M. Ross vice-president, marketing. Mr Ross has directed ERT marketing in the western states for over the past seven years.

Mr Tony Hodge has been appointed NATIONAL WEST-

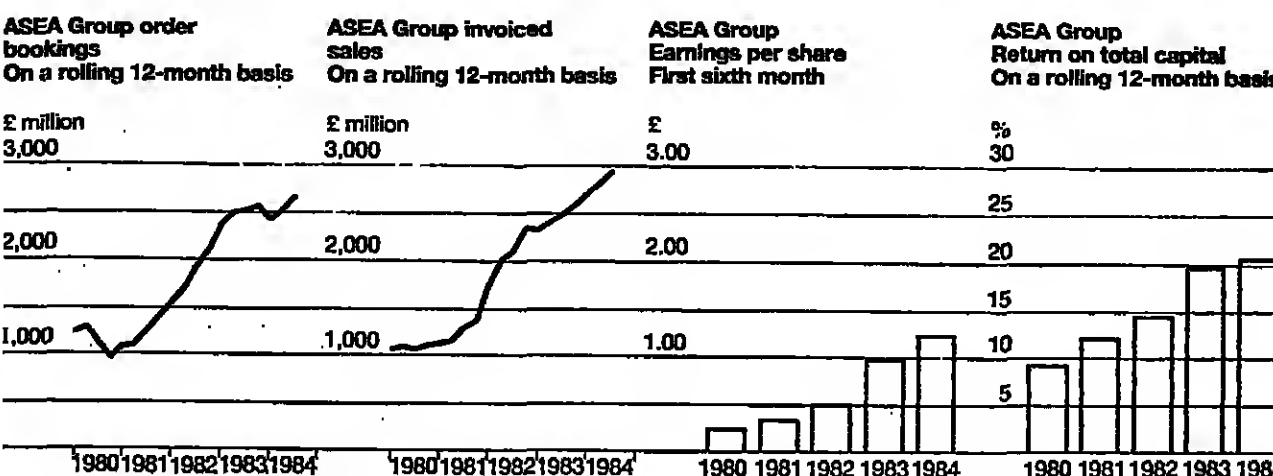
**ASEA half year results for 1984**

- ASEA's earnings continued to improve above all due to higher volumes and better net financial income.
- Order bookings rose by 20 per cent. Industrialised countries account for a steadily increasing share of the orders.
- The forecast of an improvement in full year earnings after financial income and expense compared with 1983 remains.
- Shareholders of unrestricted "A" shares are being offered the right to exchange them for "B" shares in September and October.

The ASEA Group, based in Sweden, has some 190 subsidiaries in 37 countries and approximately 57,000 employees. The Group, including the Parent Company ASEA AB, manufactures plant and equipment for power generation, transmission and distribution; transportation equipment; industrial robots; metallurgical and process equipment and plant; air treatment systems; finished industrial and household goods; and semifinished goods.

**Profit and loss account  
ASEA Group (£ million except "per share")  
(Exchange rate: £1 = SEK 11.175)**

	First half 1984	First half 1983	1983
Order bookings	1,419	1,183	2,439
Invoiced sales	1,404	1,165	2,705
Earnings after financial income and expense	95	74	181
Earnings per share	1.23	0.97	2.21
Return on total capital, per cent	20.4	19.8	19.7



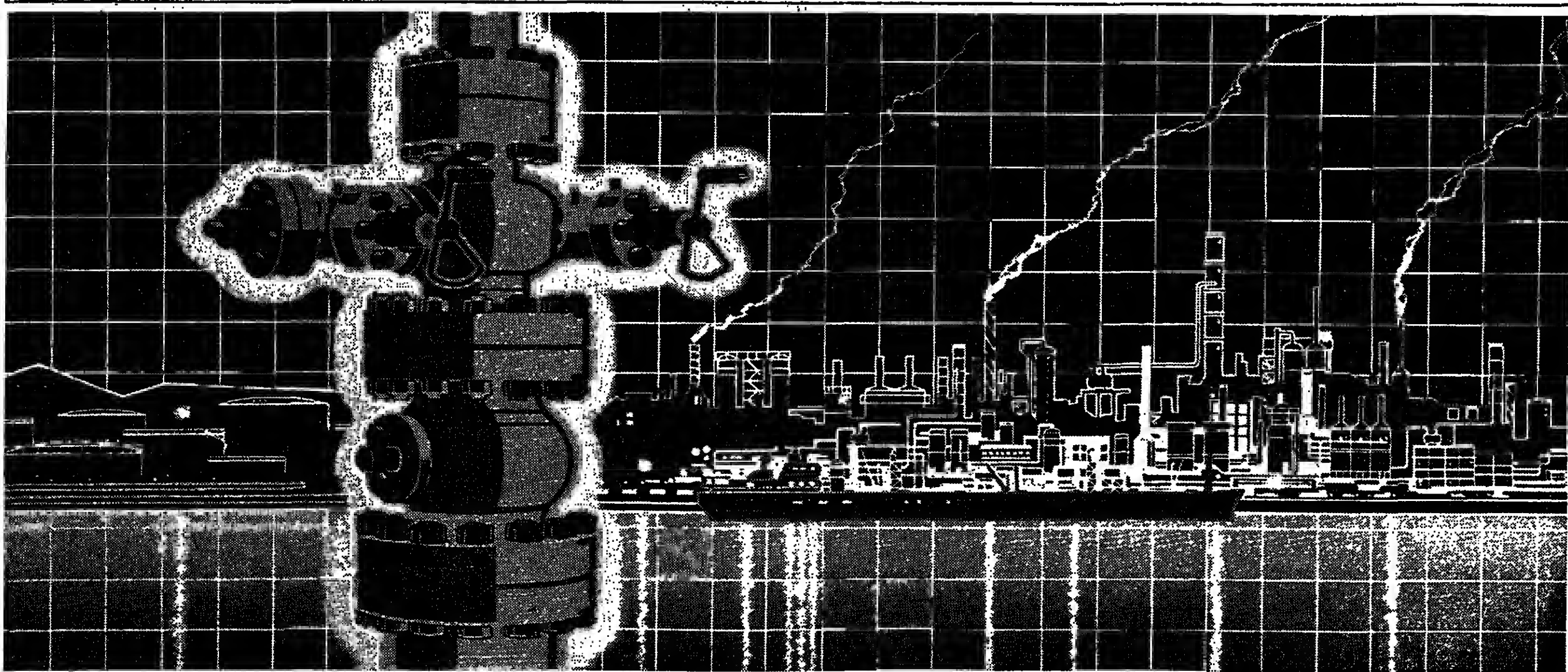
**ASEA**

ASEA Limited, 48 Leicester Square, London WC2H 7NN. Tel. 01-9305411. Telex 261243  
ASEA AB, Investor Relations, Box 7373, S-103 91 Stockholm, Sweden. Tel. +46 824 59 50. Telex 17236 aseagr s

**Malayan Banking Berhad**  
US \$60,000,000  
Negotiable Floating Rate Dollar Certificates of Deposit due 1987 Tranche C  
In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 17th August 1984 to 19th November 1984 has been established at 12½ per cent per annum.  
The interest payment date will be 19th November 1984. Payment, which will amount to US\$7,914.93 per Certificate, will be made against the relative Certificate.  
Agent Bank  
Bank of America International Limited

**KLEINWORT BENSON FINANCE B.V.**  
US \$50,000,000  
Guaranteed Floating Rate Notes 1991  
convertible until 1985 into 10½ per cent. Guaranteed Bonds 1995 and unconditionally and irrevocably guaranteed as to payment of principal, premium (if any) and interest by  
**KLEINWORT, BENSON, LONSDALE plc**  
For the three months 17th August 1984 to 19th November 1984, the Notes will carry a Rate of Interest of 12½ per cent. per annum with a Coupon Amount of US\$ 159.11.  
CHEMICAL BANK INTERNATIONAL LIMITED  
Agent Bank

**AZIENDA NAZIONALE AUTONOMA DELLE STRADE**  
U.S.\$100,000,000 FLOATING RATE NOTES 1990  
Convertible until February 1985 into 13 per cent Bonds 1992  
In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 17 August 1984 to 19 February 1985 has been fixed at 12½ per cent per annum. Interest at the aforementioned rate will be due on 19 February 1985.  
BANQUE BRUXELLES LAMBERT SA LONDON BRANCH  
AGENT BANK



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managed are energy-related transactions.  
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**THE PROPERTY MARKET** BY MICHAEL CASSELL

**British Land buys in New York Townsend Thoresen wins Victoria fight City move for Nomura Piccadilly picks up**

BRITISH LAND'S efforts to step up its U.S. property interests took another big step forward this week with the purchase, for around \$33m (£25m), of an office tower on Park Avenue South, Manhattan.

The acquisition, from Leucadia, the insurance group, has been carried out through British Land of America, the U.S.-quoted company in which the British property company now holds a near-35 per cent stake. It has options to raise its interest to 75 per cent.

British Land first bought into B.L.A. then operating as Growth Realty Companies in April 1982. The Los Angeles-based realty group had been repeatedly recording losses and, although it had a portfolio worth over \$70m, it also carried liabilities in excess of \$50m. Later in 1982, British Land took over management control, under John Weston Smith, and it has since been turning the company round as well as turning it into the cornerstone of its U.S. expansion programme.

The purchase of 315 Park Avenue South, a freehold office building with 253,000 sq ft of rentable space not only gives B.L.A. another major U.S. asset but also helps clear up a little more of the mess left behind by Growth Realty.

As part of the deal, B.L.A. takes on the existing mortgage on the property and has issued 1m shares, at \$6 each, to Leucadia. But in addition, it

has managed to transfer to the vendor around \$5m worth of mortgages which B.L.A. had granted on condominiums in Puerto Rico.

B.L.A. is now expected to inject the Manhattan property into a tax-shelter oriented investment partnership. In any event, it intends to retain a substantial interest in the property.

According to John Weston Smith: "This gives us another potentially very rewarding investment and also helps clear up some of the awkward bits left behind by Growth Realty."

Weston Smith says the Park Lane South property has a handsome reversionary element—"as you would expect for British Land"—and emphasises that the cost of renovation work to be carried out is being borne by Leucadia.

The building's location—at 24th Street—is hardly prime Manhattan but there is no question that this part of town is proving increasingly popular with companies unable to contemplate top rents. When B.L.A. started talking about the acquisition in April, four floors in 315 Park were empty but now the building is almost fully let. Rents are around \$20 a sq ft.

Apart from clearing up the legacy of mortgages and foreclosed real estate interests, the new management at B.L.A. has also made one other major acquisition in the shape of the Soña building, close to the Lincoln Center for the Perform-

ing Arts in Manhattan.

The property, on West 61st Street is being redeveloped to provide 85,000 sq ft of offices—now sold to the College Entrance Examination Board—and 92 apartments, half of which are also sold. Weston Smith says the \$40m joint venture is already close to "break-even point."

Outside the B.L.A. operation, British Land itself owns 90 Broad Street, New York, a 330,000 sq ft downtown office building which it acquired in late 1982.

But it is through B.L.A. that the U.S. expansion drive will be concentrated. Weston Smith points out that inherited debts of \$5.4m in the year to June 1983 have now been overturned in the first nine months of the current year. He describes the quick improvement as "a nice healthy step in the right direction" and says he expects the company to start taking increasingly large strides in the months ahead. "Watch this space, we have plenty of other things up our sleeve."

The Victoria market is currently sagging under a hefty floorspace oversupply but Kean Hird, director of development at T.T. Properties, has no qualms about starting another major scheme in the locality before the last one is occupied. "By the time it comes through, we expect a healthy demand for this type of quality office building. It will work on rents of

over £20 a sq ft and we don't anticipate problems in breaching that level."

Sovereign House noted for its spectacular atrium, is on the market at around £24 a sq ft in an area where a figure nearer £18 a sq ft represents the top end of the established rental range. Greycoat is asking £22 a sq ft at Victoria Plaza, the 200,000 sq ft complex on the other side of the station which is still looking for its first tenants.

Townsend Thoresen agreed a provisional purchase of the Hudson's Place site from Christies at the end of 1982 and submitted a planning application in January 1983. Despite a favourable response during talks with Westminster city council, the plans were rejected in May of the same year but were passed two months later, subject to GLC approval.

The GLC failed to respond, so the deemed refusal was taken to appeal, with Westminster supporting the developer and the GLC and the Pimlico Residents' Action Group opposing the proposals.

In May this year, the inquiry inspector found in favour of the developer but the GLC then challenged his decision on a legal technicality. A two-day High Court hearing last month supported the inspector and Townsend Thoresen has now completed the site purchase

THE two-year search by Land Securities to find tenants for Devonshire House in London's Piccadilly is beginning to pay off.

It is understood that the UK subsidiary of Hamilton Oil Corporation, the U.S. independent oil and gas group, has agreed to take space in the building at a rent in the region of £20 a sq ft. It is expected to occupy two floors.

Together with two other lettings now being finalised, it appears that Land Securities has so far managed to line up tenants for a little over one-third of the 150,000 sq ft building.

Britain's largest property group undertook a complete re-

freshment of the property and spent about a year attempting to find a single tenant prepared to pay around £25 a sq ft.

There were no takers, however, and last September Land Securities dropped the asking rent to £20-£24 a sq ft and conceded that multiple occupation was inevitable. D. E. and J. Levy are letting agents, though at one stage the developers invited any agent to make an introduction.

The West End market has been anxiously awaiting news of lettings at the Piccadilly building to help provide evidence that the local office sector is regaining the revival now underway in the City.

**Supply stifles rents**

OFFICE SPACE in the City of London is being supplied up at a rate not seen for five years; but an equally high supply of new accommodation is preventing any surge in rents.

The latest City office market report from Richard Ellis, the agents and surveyors, estimates that 2m sq ft of floorspace went under offer in the first half of 1984, only 500,000 sq ft less than in the whole of 1983.

For the first time since the end of 1979, the amount of floorspace signed up by tenants exceeded new supply (1.5m sq ft) but the marginal difference was not enough to

stimulate rents. Ellis says that most rises were achieved on properties in the £20 a sq ft-plus range, although the first-half average increase was only £1 a sq ft. Top rents—between £20 and £25 a sq ft—have hardly changed but the agents say they expect them to rise later in the year as the volume of available space in new schemes begins to fall.

The much heralded take-up rate confirmed in this week's survey from agents Dron & Wright, centres on the banking and financial services markets, with the insurance sector also showing renewed interest in expansion.

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Telephone: 051-424 4211

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Friday 16th September 1984

Contact: The Auctioneers, Stratton & Holborn, 42 Market Jew Street, Penzance. Tel: (0734) 45328

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UK COMPANY NEWS

Plessey up to £42m in first quarter

The Plessey Company raised pre-tax profits by 9.8 per cent to £41.97m in the first quarter ended June 29, 1984, compared with £38.21m in the same period of 1983. The order book at the end of the quarter reached £1.72bn, showing a substantial 24.1 per cent increase over the position a year ago.

Turnover for the first quarter improved by 5.8 per cent to £365.23m (£288.25m) and operating profits were up 13.7 per cent from £31.7m to £35.46m. Operating profit margins rose from 19.8 per cent of sales last time to 11.8 per cent.

Despite the generally lower interest rates which prevailed in the period, investment income, less interest payable, remained constant at £5.38m (£5.43m). Share of related companies profits, however, dropped from £1.5m to £1.12m.

Tax charge was £3.19m higher at £16.5m and after minorities, net profits before extraordinary items increased by 4.7 per cent to

HIGHLIGHTS

The final banking figures confirm the strong position of the PSBR as Lex examines the outlook for base rates in the light of the 2 per cent fall in intervention rates. The column considers a similar cut is imminent. Royal Insurance made some headway in the second quarter and, while that was not enough to correct the first quarter shortfall, Lex looks at the prospects for higher premium rates in the U.S. The column also looks at the progress made by Plessey in its first quarter and notes impact of its growth plans on cash flow which has now turned negative for the first time in many years.

£25.44m, against £24.3m. Earnings per 25p share improved from 3.1p to 3.46p.

Telecommunications turnover was virtually unchanged at £131.24m (£130.94m), while operating profits rose to £14.91m (£14.7m), representing a small improvement in operating margins to 11.3 per cent of sales. The order book increased by 15.8 per cent compared with last year and new stands at £632.6m.

Electronic systems and equipment achieved sales up

8.5 per cent at £106.53m (£96.15m) and profits were 6.5 per cent higher at £9.01m (£8.45m). The order book stood at £225.5m—an increase of 32.3 per cent over last year.

Aerospace and engineering sales increased by 4.7 per cent from £27.46m to £28.75m. Operating profits were 18.1 per cent better at £4.83m (£4.09m) due to further improvements in operating margins.

Microelectronics and components sales rose by 28.6 per

cent to £29.94m (£24.82m), while profits jumped by more than 80 per cent over the same period last year to £4.7m (£2.6m). The order book position in this sector improved by 29.5 per cent to £68.5m.

Computer peripherals lifted sales from £6.85m to £8.77m and profits were £122,000, against £27,000. The contribution from group services was up from £1.92m to £1.87m.

A divisional split of the order book as at June 29, 1984 (at July 1, 1983) shows (in £000s): telecommunication £632,637 (£546,100); electronic systems and equipment £295,940 (£289,600); aerospace and engineering £110,066 (£104,400); microelectronics and components £68,114 (£53,000); computer peripherals £5,598 (£4,900); less interest on any contract £24,539 (£18,600).

In the full year to March 30, 1984, the group lifted pre-tax profits to £176.12m (£146.36m), on turnover of £1,223m (£1,077m).

MS Intl. recovers strongly to £2m

MS International, the mechanical, mining, electrical and electric engineering group, turned round from £178m losses to pre-tax profits of £2.04m in the year to April 28 1984. The company believes that its medium and long term prospects are good, but it is reluctant to be more specific in the short term.

At the interim stage, the company formerly known as Mining Supplies, reported a return to profitability with a pre-tax surplus of £819,000 (£522,000 loss).

Full year earnings per 10p share came out at 6.7p (6.8p loss). However, in view of the uncertainty about the duration of the miners' strike—which affects the company directly and also indirectly as part of the national economy—the dividend for the year remains unchanged at 0.1p net.

Turnover improved from £63.7m to £65.1m, while pre-tax results were after lower interest charges £1.85m, against £2.02m. There was a tax charge this time of £425,000 (£154,000 credit). After extraordinary debits of £735,000 (£222,000) and an £878,000 (£1.58m) transfer from capital reserve arising on consolidation, attributable surplus was £1.75m, compared with a £2.02m deficit.

The extraordinary items comprised closure and rationalisation costs of £943,000 (£226m); net settlement of investigation £46,000; the miners' strike—settlement of damages claim relating to prior years £188,000 (nil); and additional deferred tax provision £445,000 (nil).

MS International says that since the new management team took over 18 months ago, considerable effort has been made to restructure the group in the direction of a more profitable business. The restructuring will be reviewed in detail in the annual report.

Royal £1.9m in the red as underwriting losses bite

MORE EVIDENCE that the UK insurance industry is going through its worst ever trading period came yesterday when Royal Insurance Group announced a £1.9m pre-tax loss for the first six months of this year on its worldwide business, against a profit of £50.1m for the comparable first half.

A second quarter pre-tax profit of £18.5m failed to cover the £20.4m loss in the first quarter.

Deteriorating experience in the U.S., UK and Canada sent underwriting losses in the half-year soaring 70 per cent from £3.5m to £26.5m worldwide. An 11.3 per cent growth in total investment income, 6 per cent after allowing for exchange rate changes, to £250.6m, left a significant shortfall.

Higher life profits, up from £8.2m to £10m, and associated companies' profits, up from £5.8m to £8.5m, failed to bridge the gap.

A £8.2m tax charge brought the net loss to shareholders to £26m, a loss per share of 2.1p.

Nevertheless, the interim dividend is being modestly increased from an equivalent 8.4p to 8.75p.

Business grew steadily over the period, with total general insurance premiums rising 9.4 per cent from £968m to £1,068m—the underlying growth rate being 5.1 per cent.

A 10 per cent drop in premium income in the U.S. was more than covered by a 15 per cent growth in the UK and the rest of the world.

Conditions in the U.S., the main operating territory accounting for 39 per cent of total premium volume, remained very poor. Underwriting losses rose from £7.5m last year to £11.2m.

The operating ratio in the first half of the year rose from 144.5 per cent to 128.4 per cent with the claims ratio rising from 81.5 per cent to 88.2 per cent and the expense ratio from 33 per cent to 34.2 per cent. However, the operating ratio in the second quarter was 121 per cent, down from 126 per cent in the first quarter.

The deterioration came in the commercial lines with continuing poor experience in multi-peril and automobile business and a substantial worsening in workers' compensation and general liability accounts.

There was some improvement in personal lines, with better



Mr John Howard, chief general manager of Royal Insurance... deteriorating underwriting experience in U.S., Canada and UK

experience in automobile business. Severe weather losses over the half year amounted to £30.2m against £20m last year, with losses in the second quarter being similar to those of the corresponding period last year.

Mr John Howard, Royal's chief general manager, however said that rate increases on commercial business in the U.S. were now coming through without too much loss of business.

He believed that the cycle in the U.S. had at last turned and that while this had come too late to affect this year's results, there would be continuing improvement next year and in 1986.

Royal will continue its policy of selectivity in taking business. Mr Howard warned that below average risks will be hard to place in the market. And the re-organisation of expense cutting will be taken a stage further with the relocation of the U.S. head office from New York to Charlotte, North Carolina.

The move will start on the Greenfield site of the new head office in a few weeks and completion is expected in mid-1986. Around

1,000 people will be moved, saving 400 jobs in the process. Conditions improved strongly in the UK in the second quarter, with a small underwriting loss of £500,000 meant losses of £26m in the half year—more than double the £11.7m in the first half of last year.

But UK underwriting losses came from the householders account, hit first by severe weather in the first quarter with claim payments more than doubled to £41m. Secondly it is being affected by rising incidence of subsidence claims. The company has paid out £31m in the first six months of this year, more than last year on claim numbers up by a third.

The deterioration continued in Canada with underwriting losses rising from £2.5m to £11.5m. Premium volume rose slightly but the commercial accounts were most affected.

Elsewhere, business remained strong in the Netherlands, worsened slightly in the Netherlands.

See Lex

Victor Products setback

THE EFFECT of the miners' strike on Victor Products is serious. Its profit for the year ended April 30 1984 has tumbled from £1.81m to £1.11m before tax, and "any prospect of profit in the first half of the current year now looks remote."

Victor makes industrial and mining equipment, with nearly 40 per cent of business normally coming directly from the NCB and a further 5 per cent indirectly through other mining equipment manufacturers.

However, while the picture overall is far from satisfactory, the directors feel the underlying trends are good and they have no reason to doubt a return to acceptable levels of profitability reasonably soon after the strike is over. They are maintaining the dividend at 4.6p net per share with a final of 3p.

In the first half of 1983-84 profits had already shown a downturn, and this accelerated by some £400,000 in the second six months to leave the year's shortfall at nearly £700,000. This is offset by lower tax of £204,000 (£544,000), but there is this time an extraordinary debit of £289,000 being a combination of drilling and connector activities, involving redundancy and removal costs.

TDG's £9.9m in slow first half

PROFITS before tax at Transport Development Group, road haulage, storage, plant hire and other services, £9,000 (£74,000); reinforcement and exhibitions less £820,000 (less £246,000). Operations abroad contributed £4,599m (£3,82m) despite a loss of £183,000 (profit £192,000) in N. America.

Commenting on the results, the directors state that in the UK, road haulage and storage activity increased. The overnight express freight business, established last October, is operating well, but remains some way from profit. Initial losses have detracted materially from an overall improvement in road haulage results. The situation of the UK reinforcement companies, very difficult in the first six months, has stabilised, and is now beginning to improve.

The European transport companies continued to move ahead strongly.

In North America, the west coast transport business raised profits to record levels at the end of the year, intense competition is making it difficult to sustain that level at the present time, but services are expanding. By the end of the half-year, recovery of the U.S. reinforcement business had begun. The second half will not only see the company back in profit, but enable it to eliminate the losses of the first six months, but should also produce a surplus for the year.

The tax charge was slightly higher for the period at £3.56m (£2.45m), but minorities took only £41,000 (£127,000).

Just as TDG gets one part of its operations right, another seems to run into problems—one of the hazards of covering six industries spread over three continents. Strong recovery by the North American, European haulage and Australian companies was diluted by a larger than expected loss from North American steel reinforcement and an £890,000 start-up loss at the new night express freight business. That left group pre-tax profits up by just 7 per cent, which indicates a significant slackening in the pace of recovery since the previous interim stage, when profits rose by 11 per cent. Independent Express should break even by the year end as volumes build up, while Canadian steel reinforcement capacity has been reduced enough to return it to the black by 1985, and U.S. trucking should continue to race ahead with its new acquisition. The group feels the steel reinforcement industry leaves the shares down 3p to 53p, or a multiple of 7.9—assuming 35 per cent tax—and a prospective yield of 8.7 per cent.

Storage £1.45m (£1.32m); plant hire and other services £9,000 (£74,000); reinforcement and exhibitions less £820,000 (less £246,000). Operations abroad contributed £4,599m (£3,82m) despite a loss of £183,000 (profit £192,000) in N. America.

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More resolutions from Lonrho

Lonrho has added to its growing list of resolutions which it is expected to move at the House of Fraser annual meeting on September 25.

Yesterday, Lonrho lodged a requisition containing two resolutions with Fraser bringing the running total up to 21, of which seventeen have been or are to be withdrawn.

The two resolutions request Fraser directors not to take certain decisions affecting Harrods during the current mergers and Monopolies Commission reference, and are framed in such a way that they will have no binding effect even if passed.

They are intended to replace two similar resolutions previously requisitioned which, for legal reasons, would have been required to be moved as special resolutions by a 75 per cent majority of the votes cast. A Fraser spokesman said:

Harrods during the current mergers and Monopolies Commission reference, and are framed in such a way that they will have no binding effect even if passed.

They are intended to replace two similar resolutions previously requisitioned which, for legal reasons, would have been required to be moved as special resolutions by a 75 per cent majority of the votes cast. A Fraser spokesman said:

"One of the original resolutions would strictly speaking have been a special resolution, but the duration of the MMC reference. The new resolutions remain irrelevant and ill-advised and should be withdrawn."

The House of Fraser board has made it clear that it favours preservation of the status quo until the MMC has reported and in any event the MMC is not enquiring into the future of Harrods.

TVS in £8m loan stock issue

BY ALISON HOGAN

Television South is to raise £8m through the issue of subordinated convertible unsecured loan stock.

It is raising the money to pay off £8m of existing loan stock, which from November 1 will carry an annual interest rate of 20 per cent rather than the present 14 per cent.

The remaining funds will be used to expand the company's programme-making plans and the new use of its recently completed studio and technical facilities.

The new loan stock will yield interest at an annual rate of 10 per cent, £100 nominal, payable in half yearly instalments. The offer is open to ordinary non-voting shareholders and will be convertible between 1988 and

1997 into 67 ordinary non-voting shares of 10p.

Given the issue of the convertible loan stock, at par, on conversion the non-voting shares will be acquired at the equivalent of 149.3p per non-voting share.

TVS forecasts a final dividend of 3p net making 5p for the year. The directors also announce that the company is to transfer from the USM to a full listing where the shares are expected to begin on September 28, 1984.

Applications for the loan stock are due by September 7. Brokers to the issue are Capel Curren Myers.

With the 20 per cent interest charge on existing loan stock coming up in November, TVS had to do something to save on interest charges against which there is no level relief. Yesterday's issue seems a sensible solution though there will inevitably be some dilution of earnings per share. It has managed to attain 10 per cent of its net advertising revenue throughout the country, overtaking Yorkshire-TV one of the five regional networks. It must now be setting its sights on becoming a regional network sometime in the future. The development of a thriving programme making facility, geared to international sales, seems a sound strategy in the near future. The shares slipped 4p to 124p on the news but prospects in the medium term look good.

BSR to sell Swan Housewares

BY LORNE BARING AND LISA WOOD

Swan Housewares, the domestic products division of the audio and electronics company, BSR International, which recently moved its headquarters from the UK to Hong Kong, is to be sold by agreement to a company with similar interests.

The proposed sale of the business, with its Swan-brands of kettles, pans and teasmade, follows increasing emphasis by BSR on high technology electronics production in the Far East.

Frank Brown, BSR's UK managing director, said yesterday that it was hoped the sale of Swan and other non-strategic businesses would raise £15-20m by the end of the year for investment in new ventures.

BSR, he said, was now very

much an electronics group and its strategy was to build on that strength.

"Over the past two years," he said, "we have worked hard to build Swan's market profile but it is very separate to that which we are building for BSR which is that of providing key components to the electronics industry."

Swan, said Mr Brown, could perhaps be able to expand at a more rapid rate with a different partner. "We have sought to find who we think are potentially interested parties," he said, "and we have been fairly selective about who we have been speaking to."

BSR bought the Swan brand in the early 1970s from Sulpit, which made kettles and other domestic appliances including vacuum cleaners under the Goblin brand. Earlier this year the Goblin brand name, together with the associated vacuum cleaner business, was sold to Shop-Vac (UK).

The Swan business started with traditional kettles and saucepans which was supplemented over the years with a wide range of products such as toasters, deep fryers, teasmade and the electric jug kettle. In the past two years Swan's overall output has increased by around 50 per cent and turnover has risen from about £26m in 1982 to £40m this year.

Swan is the largest UK producer of electric kettles, turning out around 30,000 a week from two factories in the West Midlands and is also the country's largest manufacturer of pots and

pans, according to Mr Jim Cadman, managing director of Swan Housewares.

The UK market for kettles, with an estimated 3m unit sales, is highly competitive although it is a market which has shown a considerable buoyancy over the past 18 months, according to the Association of Manufacturers of Domestic Appliances.

In a market still dominated by UK manufacturers, growth has been stimulated recently with the introduction of the jug kettle in 1978. The degree of competition can be illustrated by the fact that some 11 new brands have been introduced into the UK market since the jug kettle was launched in 1979 by Redring, the domestic appliances manufacturer.

DIVIDENDS ANNOUNCED

Company	Date	Current payment	Corre-ponding div. year	Total last year
AGB Research	Oct 29	4.3	4.2	7
Anglo-Italian Trust	Oct 8	2.5	—	6.5
T. Clarke	Oct 7	0.7	—	2.12
A. & J. Gelfer	Oct 8	2.7	4.9	4.5
Bill and Smith	—	0.91*	—	3.18*
Independent News	—	—	4	11
MS International	Oct 3	0.1	0.1	0.1
London Newsweek	—	7.5	12	12
Batcliffs (Gt Bridge)	—	0.75	—	1.75
Royal Insurance	Jan 3	8.4*	—	22.8*
Transport Dev.	Nov 7	1.5	—	5
Victor Products	Oct 3	3	4.6	4.6
Waring & Gillow	—	1.25	—	2

net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock.

Chamberlain Phipps

The momentum generated by Chamberlain Phipps last year had continued. Mr Frank Chamberlain, chairman, told the annual meeting. It was evident that satisfactory growth would be achieved during the year as a whole.

Sales and profits for the first quarter were in line with budget and showed a significant increase over the corresponding quarter last year, 58.6%.

1984/85 First quarter results

An extract from The Plessey Company's unaudited consolidated results.

	13 weeks ended 29 June 1984 (£m)	13 weeks ended 1 July 1983 (£m)
Sales	305.2	288.2
Operating profit	35.5	31.2
Profit before taxation	42.0	38.2
Earnings per share	3.46p	3.31p

Sales increase to £305m  
Operating profit up 13.7%  
Orders at record £1.7 billion

Plessey signals another successful quarter

Plessey mobile air defence radar systems are operational in Europe, the Middle East, Africa and Latin America.

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UK COMPANY NEWS

**AGB Research shows £1.8m profit advance: 50% earned abroad**

WITH THE overseas side contributing more than 50 per cent for the first time, profits before tax of AGB Research have advanced from £0.6m to £2.4m in the year ended April 30 1984. The dividend is stepped up 1p to 9p net per share, with a final of 4.5p, and there is to be a 1-for-3 scrip issue.

The directors state that the profits indicate generally satisfactory progress, and this has been achieved from existing businesses. There were no acquisitions during the year that have made a contribution, although the company's share of the profits of the SIZ Group are taken in for a full year for the first time. The overseas market research companies have continued to make "excellent progress".

Profit includes a net exceptional credit of £345,000. This arises from refinements in the relations of work in progress as reduced by additional depreciation of computer software and redundancy and other non-recurring costs.

In consequence of the better overseas figures the tax charge is up from £2.1m to £3.07m and is also affected by the changes in the Finance Act. After minorities, £744,000 (£689,000) the attributable profit comes out at £2m (£1.25m) and earnings are 13.5p (12.75p) per share. This time there are extraordinary debits of £579,000 comprising relocation and re-organising expenses in the publishing group, £505,000, net of tax relief, and provision against investment in associates of £176,000.

Turnover moved ahead from £63,350m to £93.15m. A breakdown of the pre-tax profit shows, in £000s: market research £6,325 (£4,849); publishing £283 (£195); information systems £576 (£383); marketing services £648 (£512); information systems activities integral to television audience research have been included in the market research figures, and the comparisons adjusted.

**Comment**

The market was disappointed with the preliminary figures of AGB. They fell a little below the £2m pre-tax figure which had been expected and would have been lower than anticipated at £2,400,000 credit taken above the line, while an extraordinary debit of £579,000 was taken below the line. The tax charge was also higher than anticipated at just under 40 per cent, because of a higher level of overseas earnings, mainly from the U.S. and Australia which both performed well. AGB has tackled weaker areas of the group. Publishing and information systems have undergone some reorganisation and AGB continues to develop its U.S. audience measurement business which has good growth potential in the next couple of years. Profits in the current year will benefit from some of these non-recurring expenses. The shares fell 23p to 30p yesterday, where they sell on a quite demanding PE of 23.

**York Trailer confident as profits jump 210%**

GREATLY IMPROVED profits have been achieved by York Trailer Holdings in the six months ended June 30 1984, showing a 210 per cent rise from £93,000 to £288,000. And for the second half the directors are expecting the figure to be better.

Payment of the preference dividend for six months will be made in December, and at the same time consideration will be given to making a start on paying the accumulated arrears which stood at nearly £548,000 at end June. The company is controlled from Canada.

The company returned to profit in 1983 (£90,000 for the year) after several years of losses. In the half year just finished the advance stemmed mainly from the caravans sales of trailers in the home market at better margins. Sales remained depressed in the principal export markets of the Middle East and Africa and this meant that Anthony Carrimore, the hydraulics company, still suffered losses, though on a much reduced scale.

On prospects, the directors report that the Northallerton plant is working to capacity with the largest backlog since 1979. All of the truck equipment branches are busy. Most important of all "we can forecast an end to the losses at Anthony Carrimore during the second half year, based upon an excellent improvement in the order intake coupled with further economies."

Turnover in the first half came to £11.75m (£11.53m), and the operating profit to £398,000 (£257,000) after interest charges of £140,000 (£174,000). There is no tax and earnings are shown at 1.63p (0.04p) per share.

**Waring & Gilloil ahead to £0.3m**

REFLECTING a continuance of the steady improvement noted at mid-way, profits of Waring and Gilloil (Holdings) for the year ended March 31, 1984, came to £314,000, and the dividend is held at 2p net per share with a final of 1.25p. In the previous year the group incurred a loss of £477,000.

The directors of this group of furniture and carpet retailers, which includes Maples, concede this is not yet a return to satisfactory profits. Six months ago they said they were looking for a steady growth in profitability rather than an immediate or dramatic rise.

As regards the current year they report a slow start, but tell shareholders that business during the summer sale has shown "a distinct increase" over that of last year.

Turnover for the year rose from £90.73m to £93.18m, net of VAT, and the operating profit to £704,000 to £1.67m. To this is added profit on sale of assets of £16,000 (debit £81,000), made up

**BOARD MEETINGS**

The following companies have notified dates of board meetings to the stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividend is to be paid or not, and the date is based mainly on last year's timetable.

**TODAY**

Aut and Waborg, Gaskell Broadloom, Northern Goldfields

**FUTURE DATES**

Finata, Pico, Wholesale Finings

**Interims—**

Bryan (Stock) Aug 20  
Early's of Wines Sept 14  
Emry Aug 20  
Haynes Sept 6  
Highlands and Lowlands Aug 30  
Palumbo Aug 29  
Non-Ally and Loran Invest Aug 29  
Vair Group Aug 29  
Fmas Aug 30  
Vecta Stone Aug 30

of deferred tax release following corporation tax rate reduction in the Finance Act £136,000, less loss on sale of subsidiaries £140,000. Cost of the dividend is £312,000.

**Comment**

Waring and Gilloil is still floundering in the marketplace, unable to find a niche for its somewhat outdated image and product range. True, there has been a recent attempt to appeal to younger customers coupled with

the "Unbeatable Price Promise" campaign orchestrated by Satchi and Satchi, but the dismal second half—normally the more profitable period—shows that the impact on sales has been minimal. What went wrong over the important Christmas season is not adequately explained but it is becoming increasingly evident that management is paying only lip service to its fundamental problems. These are both structural and product-oriented. In the first place the company has remained a High Street operation while the furniture trade has increasingly moved out to edge-of-town locations. Secondly, it has an ageing clientele, with the recent attempts to modernise the product range looking only half-hearted. The current share price of 125p, giving a p/e of nearly 50, hardly reflects the trading position or prospects. It owes everything to bid speculation, which is centred on the company's 198p per share net asset value.

**Positive recovery under way at Ratcliffs**

A POSITIVE recovery is under way at Ratcliffs (Great Bridge) and the directors of this manufacturer of brass and copper strip say this improvement is expected to continue in the second half of 1984.

In the first six months, the company made pre-tax profits of £806,200, compared with £62,900 losses last time which included redundancy costs of £144,800. The result was made up of parent company profits of £176,200 (£363,300 losses) and subsidiary profits of £630,000 (£206,400). Buyout trading conditions in North America enabled the Canadian offshoot to turn in record half-year earnings.

The net interim dividend is lifted from 0.75p to 1p per 25p share—last year a total of 1.75p was paid on £311,000 pre-tax profits.

Group sales climbed from £19.34m to £24.73m in the first half. Tax charge was £19,000 (£181,300) leaving a net profit of £887,200, as against a £224,500 loss before. Earnings per share were 9.55p (5.25p loss).

**Anglo-Intl. Trust**

For the half year ended June 30 1984 the Anglo-International Investment Trust has pushed up its pre-tax revenue from £21,633 to £272,312. At that date the net asset value had also improved, from 42p to 54p, after being 47p at the end of 1983.

The current interim dividend is lifted from 2.5p to 3p net, but the directors stress this does not imply an increase of the same proportion to the total—8.5p was paid last year. After tax £132,252 (£113,876), the half year's net profit came to £240,040 (£207,747).

**Newmark hit by collapse of textile customer**

THE COLLAPSE of a textile machinery customer created a near-third of Lewis Newmark's taxable result covering 12 months to March 31, 1984.

Camber International (England), which went into receivership in December, resulted in Newmark making a total allowance of £281,000 for bad debts and redundant stock. This completely wiped away an underlying 26 per cent advance on a 12.5 per cent rise in turnover to £33.4m and left Newmark with a lower pre-tax profit of £771,000, compared with £881,000. Had it not been for Camber then profits would have amounted to £1.12m.

However, exceptional debit relating to Camber was lower than directors had previously indicated. They point out that the success of the receiver in finding a purchaser for Camber's assets, enabling trading to recommence, meant that the original provision of £150,000 against potentially redundant stock proved to be excessive and was subsequently cut to £55,000.

When reporting results for the first six months—profits fell from £610,000 to £291,000 after a £296,000 provision for Camber—the directors said that except for the immediate problems being experienced in textiles, as predicted by the chairman last

other divisions of the group were all showing improvements and precision engineer and watch distributor will receive an unchanged final dividend of 7.5p, which holds the total payout for 1983/84 at 12p.

Earnings per share rose by 1p to 21p, reflecting the favourable effect of stock relief which reduced the tax bill by £335,000 (£259,000) to £107,000 (£283,000).

In addition to this, Newmark benefited from this year's Finance Bill which threw up an extraordinary credit of £582,000 following a recalculation for deferred tax (£88,000 debit for closure of factory).

**Hill & Smith improvement**

After first-half results which showed a significant improvement in pre-tax profits to £702,000, Hill and Smith Holdings indicate that similar figures should be achieved in the second half.

The figure for the six months to March 31 1984 is set against a comparable £252,000 for the company, a steel stockholder and manufacturer of fabricated products and drop forgings.

In the last full year a better second half lifted the group to £1.01m against £1.08m previously.

The interim dividend is effectively raised from 0.5p net per share to 1p. The total last time was 3.15p allowing for a one-for-one scrip issue.

Turnover also improved, from £8.34m to £11.08m. After tax and £250,000 (£20,000) and an extraordinary debit of £50,000 last time, earnings per share came out at 4.54p against 1.73p.

**Victor Products PLC**  
Results for the year ended 30 April 1984

	1984 £000	1983 £000
Turnover	16,793	16,304
Profit on ordinary activities before Taxation	1,113	1,807
Taxation	204	544
Profit on ordinary activities after Taxation	909	1,263
Extraordinary items adjusted for attributable Taxation. (See note 3)	(289)	—
Profit attributable to the Group after Taxation	620	1,263
Dividends	428	428
Profit retained	192	835
Earnings per Ordinary Share	7.1p	15.5p

Notes:  
1. The figures are under the "Historical Cost" convention.  
2. An interim dividend of 1.5p per share was paid on 19 April 1984. The proposed final dividend of 3.0p per share will be paid on 3 October 1984.  
3. These items arise from a combination of Drilling and Connector activities involving redundancy and removal costs.  
4. The Annual General Meeting will be held on the 3 October 1984.  
5. Copies of Annual Report and Accounts may be obtained from the Secretary at PO Box, Wallsend, Tyne and Wear NE28 6PP, from 12 September 1984.

**Granville & Co. Limited**  
Member of NASDMM  
27/28 Lovat Lane London EC3R 9EB Telephone 01-421 1212

**Over-the-Counter Market**

1983-84	Company	Price	Change	Gross Yield	P/E	Fully Paid
142	120 Ass. Brit. Ind. Ord.	136	—	6.3	4.8	8.0
158	117 Ass. Brit. Ind. Ord. CULS	142	—	10.0	7.0	8.0
55	Almington Group	37	—	2.9	7.8	4.8
38	21 Armitage & Rhodes	37	—	2.9	7.8	4.8
132	87 Bardon Hill	128	—	3.4	2.7	12.7
59	45 Bry Tech	177	—	12.0	6.8	—
301	177 CCL Ordinary	177	—	12.0	6.8	—
132	87 CCL 11p Cash	128	—	3.4	2.7	12.7
540	100 Carborundum Alabaster	625	—	6.7	1.1	—
248	89 Cladco Group	99	—	4.0	4.0	36.2
45	Debona Services	65	—	4.9	10.5	—
233	76 Frank Horsell	233	—	5.8	4.7	8.2
205	79 Frank Horsell Pr Divd	205	—	5.8	4.7	8.2
65	Frederick Peake	35	—	4.9	10.5	—
39	32 Georgian Bnir	35	—	7.3	18.5	13.0
80	46 Ind. Precision Castings	47	—	11.9	11.9	12.2
125	54 Ind. Serv. Ind. Serv. Ord.	125	—	11.9	11.9	12.2
124	81 Jackson Group	110	—	4.9	4.5	5.1
211	213 James Burroughs	228	—	13.7	6.0	8.0
17	33 James Burroughs	65	—	12.9	15.2	—
146	100 Linguaphone Ord.	145	—	16.0	16.6	—
100	86 Linguaphone 10.5p Pl.	98	—	2.8	0.9	21
62	78 Minibus Holding NV	62	—	2.0	35.7	6.5
170	56 Robert Jenkins	59	—	6.7	11.6	26.8
74	49 Scrivens "A"	49	—	20.0	35.7	6.5
125	51 Torday	49	—	6.7	11.6	26.8
444	385 Trevian Holdings	433	—	—	—	8.8
28	17 Unilock Holdings	21	—	1.3	6.2	10.2
48	Walter Alexander	65	—	6.0	6.0	10.0
276	226 W. S. Yeates	276	—	17.4	7.3	5.7

**The Lombard 14 Days Notice Deposit Rate is 11%**

**The Lombard Cheque Savings Rates are 10 1/2% and 8 1/2%**

per annum Minimum deposit £2,500

per annum When the balance is £2,500 and over

per annum When the balance is £250 to £2,500

**Lombard North Central**  
17 Bruton St, London W1A 3DH  
For details phone 01-409 3434 Ext 484

**Estimated Half Year Results for 1984 and Interim Dividend**

**Royal Insurance**

The second quarter result was a pre-tax profit of £18.5m reducing the loss for the year to date to £1.9m. An interim dividend of 8.75p has been declared (equivalent 1983 interim dividend adjusted for scrip issue 8.40p).

	6 months to 30 June 1984 (unaudited) £m	6 months to 30 June 1983 (unaudited) £m	Year 1983 (audited) £m
<b>General Insurance:</b>			
Premiums Written	1,058.9	968.3	1,910.1
Underwriting Balance	-169.3	-99.3	-209.6
Investment Income allocated to General Insurance operations	112.8	96.8	204.2
<b>General Insurance Result</b>	-56.5	-2.5	-5.4
Long-term Insurance Profit	10.0	8.2	17.5
Investment Income attributable to Capital and Reserves	37.8	38.6	75.1
Share of Associated Companies' Profits	6.8	5.8	11.2
Profit before Taxation	-1.9	50.1	98.4
Less Taxation	3.2	10.3	17.8
Minority Interests	-0.1	0.2	0.4
<b>Net Profit attributable to the Shareholders</b>	-5.0	39.6	80.2
Earnings per share — See Note 1	(loss) 2.1p	16.8p	34.0p
Capital and Reserves — See Note 2	£1,505m	£1,368m	£1,652m

Note 1 Earnings per share have been adjusted for the one for four scrip issue made in June 1984.  
Note 2 The figures as at 30 June 1984 and year end 1983 include the Long-term Insurance Business Reserve of £225m first established at 31 December 1983.

**INTERIM DIVIDEND**

The directors have declared an interim dividend of 8.75p per 25p share on the capital as increased by the scrip issue (1983 interim dividend of 10.50p per share equivalent to 8.40p on the new capital). The dividend will be payable on 3rd January 1985 to shareholders registered at the close of business on 28 November 1984 and will cost £20.6m (1983 interim dividend £19.6m). The total dividend for 1983 was 28.5p per share equivalent to 22.8p on the new capital.

**INVESTMENT INCOME**

Total investment income of £150.6m increased in sterling terms by 11.3%; allowing for changes in the rates of exchange the growth was over 6%.

**GENERAL INSURANCE**

Premium income rose by 9.4% in sterling; allowing for the effect of currency changes, the increase was 5%. Details for the individual operating companies are as follows:—

In the United States the second quarter statutory operating ratio was 121.0%, down from 125.0% at the first quarter, giving a ratio of 123.4% for the half year (1983 114.5%). The commercial lines result remained very unsatisfactory due to continuing poor experience in multi-peril and automobile business, and a substantial worsening, compared with the same stage last year, in the workers' compensation and general liability accounts. There was some improvement in personal lines with better experience in automobile business. The programmes of price increases and remedial underwriting action have continued. Although this has led to a further loss of business this was less marked than in the first quarter reflecting the degree of price firming that is at last taking place in the commercial lines marketplace. Total dollar premium income, after the inclusion of Slivey Corporation from 1 June 1984, fell by some 8%.

Premium volume increased by over 12% in the UK. Experience in the second quarter was reasonably satisfactory, but the half year result was still severely affected by the £32m weather losses on the property accounts in the first quarter. The upward trend in the number and cost of subsidence claims has continued.

Compared with the very favourable outcome at the same stage last year the result in Canada showed a marked deterioration with the commercial automobile and general liability accounts being responsible for the major part of the worsening. The premium volume in local terms showed a small increase.

In Australia there was an improved result although experience in both workers' compensation and general liability was less satisfactory in the second quarter. Premium growth, particularly in commercial lines, remained strong.

The experience for Royal Int in the second quarter was somewhat better but the result for the half year is still adversely affected by the January flood claims in New Zealand. Premium growth in local terms following the acquisition of the Spanish insurance company Velazquez SA, was over 24%.

In Royal Nederland there was some worsening in the result mainly due to a number of large liability claims. Premium income rose by over 3% in local currency terms.

The experience for Royal Re remains adverse reflecting the difficult conditions in worldwide direct markets. It is still too early for the expected benefits of the hardening of the proportional treaty market to appear in the results.

**Royal Life Insurance**

During the first half of the year new single premiums written by Royal Life increased by 18% to £46.4m. New annual premiums fell by 12% to £28.2m. However, the comparable period in 1983 included a substantial volume of business arising from the conversion of existing mortgages to repayment by endowment assurance. As compared with the first half of 1982 new annual premiums increased by 130%. Unit linked business showed good growth with both annual and single premiums increasing by over 50%. Self employed pension business also increased significantly.

The long-term insurance profit of £10m (£8.2m) represents half of the estimated contribution for the whole year.

**Royal Insurance plc**  
Group Head Office  
1 Cornhill, London EC3V 3QR

**EXCHANGE RATES**

Foreign currencies have been translated according to our normal practice at approximately the average rates of exchange ruling during the period. The principal rates were:—

	USA	Canada	Australia	Netherlands
	£1.42	£1.58	£1.54	Fls4.32
	\$1.42	\$1.58	\$1.70	Fls4.21

The pre-tax result has been adversely affected by £3.3m due to changes in exchange rates; the underwriting balance being worsened by £9.9m, with investment income and Associated Companies benefiting by £6.6m.

	6 months to 30 June 1984				6 months to 30 June 1983			
	Premiums Written	Underwriting Balance	Allocated Investment Income	General Insurance Result	Premiums Written	Underwriting Balance	Allocated Investment Income	General Insurance Result
Royal USA	409.4	-112.0	56.3	-55.7	410.7	-72.5	43.0	-29.5
Royal UK	309.1	-26.0	27.5	1.5	275.6	-11.7	27.2	15.5
Royal Canada	110.6	-15.6	13.6	-2.0	104.2	-2.8	13.4	10.6
Royal Int.	74.1	-4.2	3.6	-0.6	61.3	-2.1	3.7	1.6
Royal Australia	73.5	-1.9	6.3	4.4	40.9	-4.0	4.5	0.5
Royal Nederland	42.0	-3.0	3.1	0.1	41.4	-2.5	3.2	0.7
Royal Re	40.2	-6.6	2.4	-4.2	34.2	-3.7	1.8	-1.9
	1,058.9	-169.3	112.8	-56.5	968.3	-99.3	96.8	-29.5



UK COMPANY NEWS

Lincroft rejects new Finlan terms

BY ALEXANDER NICOLL

John Finlan, the building and development group headed by Mr Graham Ferguson Lacey, yesterday made an increased offer—including cash sweetener—for Lincroft Kilgour, the textile and investment concern.

Lincroft called it "wholly unacceptable" and urged shareholders to withdraw their acceptance. By the second closing date on Wednesday, Finlan had won acceptances representing 13.04 per cent of Lincroft, in addition to the 23.79 per cent it already owns.

Finlan's bid, which has produced acrimonious exchanges including personal attacks and

charges of asset-stripping, is effectively a rights issue which will substantially expand its capital. It plans to sell off divisions of Lincroft through management buy-outs, and to use the acquisition to reduce its borrowing and aid further expansion.

Finlan had been offering 90 of its shares for 41 Lincroft. Its new offer is 55 shares plus 615p in cash for 41 Lincroft shares, plus payment of the 1.5p interim dividend announced by Lincroft. Finlan forecasts a 30 per cent increase in its 1984 dividend.

At Finlan's closing price yesterday of 90p, unchanged, the

offer values Lincroft at 137p per share or £8.3m. The shares rose 7p yesterday to 122p.

Finlan's own market value is £10.3m.

Lincroft, which has become to a large extent an investment company after ceasing much of its textile activities, has backed its defence with a forecast of over £1m in pre-tax profits in 1984, 44 per cent up on the previous year. It has promised a 67 per cent increase in the 1984 dividend to 5p.

Finlan has made no profit forecast. But Mr Lacey said in a letter to Lincroft shareholders:

"A combined Finlan and Lincroft dedicated to investing its resources in sound property investment opportunities will provide a holding in a financially strong and well-managed company committed to sustained dividend growth and profitability."

Mr Lacey and three other directors joined the Finlan board this year. He is joint executive chairman. Mr John Finlan, deputy chairman, says that he and Mr Garaid Ames, managing director, still have executive control.

The offer expires finally on August 31.

Premier Oils £65m loan to finance Wytch stake

By Dominic Lawson

Premier Consolidated Oilfields, the UK independent oil exploration company, has signed a £65m project facility loan to finance the acquisition and development of its 12.5 per cent stake in the Wytch Farm oilfield, the largest offshore oilfield in Europe.

The loan will cover the £11m initial payment by Premier, and also a second stage payment of £22.5m once the field's production reaches a level of 20,000 barrels of oil per day.

Production is currently running at 4,800 bpd, but the field's operator, British Petroleum, plans to increase production to 40,000 bpd or more.

Premier's loan is secured on the cash flow from the Wytch Farm field, which Premier's chairman, Mr Roland Shaw, described yesterday as "a gratifying mark of the bank's confidence in the potential of Wytch Farm."

The lenders include Marine Midland, International Energy Bank, Canadian Imperial Bank, Bank of Scotland, Morgan Grenfell and Barclays Bank.

Although the exam is worth £65m if fully explored, Mr Shaw said yesterday that he did not expect Premier would need to call on more than £20m from the banks.

S. & U. Stores makes revised capital reorganisation proposal

THE DIRECTORS of S. & U. Stores, the Birmingham-based consumer credit, retail cash trading and clothing manufacturing group, are to seek shareholders' approval to a revised capital reorganisation proposal.

Certain institutional shareholders have already indicated approval.

The proposal comprises an alteration to the rights attaching to the cumulative participating preferred ordinary shares, by their conversion into cumulative preference shares carrying a net dividend at the rate of 31.5 per cent per annum, and an issue of warrants to holders to subscribe for ordinary shares.

The shares would be re-named 31.5 per cent cumulative preference shares.

In July 1983, proposals were announced to convert the cumulative participating preferred ordinary shares into 25 per cent cumulative preference shares and to make an issue of warrants to subscribe for ordinary shares. These proposals were later defeated.

Following this defeat, the board said that the possibility of a restoration of dividend must be considered unlikely for some time. No dividend has been paid on the preferred ordinary shares or the ordinary shares since 1978, but payment of dividends on the 4.3 per cent preference shares has been maintained in every year.

S. & U. reported lower pre-tax profits of £725,000 in the year to March 31 1984.

Because of the lack of available profits and prior commitments in

respect of bank borrowings and directors' loans there are arrears in respect of the fixed dividends payable to the holders of the preferred ordinary shares, amounting at January 31 1984 to £277,407 net. These, together with the current associated tax credit, would amount to £287,724 gross.

Hill Woolgar & Company, the company's financial advisers, have, as part of the arrangements, conditionally agreed to make available a cash offer to preferred ordinary holders who request it, of 38p per share plus the inclusion of 1.97p being the first net dividend which it is proposed to pay assuming approval of the proposal.

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Losses cut as Parkfield heralds recovery

LOSSES at Parkfield Foundries were cut from £206,183 to £84,706 before tax in the year to April 30, 1984, and the directors of this supplier of high-duty castings consider that a turnaround in the company's fortunes has started.

At the trading level there was a small profit of £28,700. None of the benefits of the merger of the heavy and light foundries is reflected during the period, while excessive costs were incurred during March and April as a result of the miners' strike.

Turnover progressed from £23.5m to £25.7m. Current

demand from both traditional and new customers is fairly strong, and the company hopes to maintain full-time working and trade at higher levels of profitability.

The company, a USM stock, has not paid a dividend since the 1981-82 year, and the directors cannot recommend a payment for the year under review.

They add, however, that they are confident that at the interim stage in the current year they will be able to give some "positive news" about a resumption of payments.

At the year end, the com-

pany's net debt to equity ratio had been reduced to 23 per cent compared with 78 per cent, and the directors expect the liquidity position to improve in line with the return to profit.

A tax credit of £11,761 (£136,411) cut the net loss to £23,945 against £68,772 before an extraordinary debit sharply reduced from £54,673 to £7,731—redundancy payments and deferred tax credits.

The attributable loss was halved to £80,678 (£124,445), and the company quotes losses per share at 1.12p, down from 1.74p. During the year the group

obtained quality assurance for the purpose of undertaking specialist nuclear work. The directors state that this has already bore valuable fruit with the award of four sizable contracts for delivery commencing this year.

In another move, Parkfield has agreed with Mr Robin Gonsbaw to acquire his future property development interests. Mr Gonsbaw has carried on the business of developing high quality residential property in London for a number of years.

Mr Gonsbaw and his key associate executives will enter into service contracts with the new company, which will handle all future developments.

Consideration will be satisfied by the issue of 150,000 new Parkfield shares, to be followed by the further issue of up to 1.5 million shares to agreed profitability platforms.

Sun Alliance can now lay claim to 59.15 per cent, including the 7 per cent holding of Friends of the Earth. The Phoenix Assurance's share capital.

Botswana RST Limited

Incorporated in the Republic of Botswana

Interim Report of the Company and its subsidiaries for the six months ended June 30, 1984

	Half-year ended June 30		Year ended December 31
	1984	1983	1983
<b>Production and Sales (Tonnes)</b>			
Production at mine			
Nickel/copper matte	25,800	23,455	48,083
Metal contained			
Nickel	9,211	9,123	18,216
Copper	10,713	9,927	20,261
Cobalt	130	106	223
Sales			
Matte	26,884	23,484	47,992
Nickel	—	857	857
Copper	—	825	825
Cobalt	—	12	12
<b>Consolidated Income Statement</b>			
	1984	1983	1983
	(P000's)	(P000's)	(P000's)
Sales			
Matte and metals	38,307	35,423	68,395
Operating (profit)/loss	3,011	(1,693)	2,524
Interest paid	3,535	3,762	7,284
Realised currency exchange losses	1,408	5	917
Loss before deferred interest and unrealised exchange losses	7,954	2,074	10,725
Interest accrued but deferred for payment	46,427	36,102	76,148
Unrealised currency exchange losses	12,457	7,677	19,146
Net loss attributable to the shareholders of Botswana RST Limited	66,838	45,853	106,019
Accumulated deficit at beginning of the year	379,326	273,307	273,307
Accumulated deficit	446,164	319,160	379,326
Net loss attributed to the shareholders of Botswana RST Limited converted into:			
Sterling at the rate of P1 =	£0.6035	£0.5975	£0.5930
£000's	40,337	27,397	62,869
U.S. Dollars at the rate of P1 =	\$0.8150	\$0.9125	\$0.8620
\$000's	54,473	41,841	91,388

	Half-year ended June 30		Year ended December 31
	1984	1983	1983
<b>Capital Expenditure and Commitments</b>			
Capital expenditure	1,582	928	1,928
Capital commitments	574	140	473
Capital expenditure approved by the directors but not committed	3,048	1,029	851

Review of Operations

Plant availability and operations at both Phikwe and Selebi-Phikwe continued to be satisfactory and mine costs were well controlled at 4.7 per cent above the level for the last six months of 1983.

Matte production was 25,800 tonnes for the six months compared with 23,455 tonnes for the same period in 1983 and 24,628 tonnes in the half-year to December 31, 1983. There were no metal sales in 1984 as there are now only sales of matte to Amax Nickel, Inc.

The first half of 1984 failed to bring the improvement in metal prices normally associated with increased industrial activity in the United States. Despite high levels of capacity utilisation in the stainless steel sector, and improved nickel consumption compared with 1983, LME prices showed no improvement from the levels set in the second half of 1983. Copper prices dropped sharply in May and June with the LME higher grade settlement price averaging only U.S. Dollars 0.62/lb for the month, some U.S. Dollars 0.08/lb down on the price in April.

The group operating loss was P3.0 million compared with a profit of P1.7 million for the corresponding period of 1983 and a loss of P4.2 million for the half-year to December 31, 1983. The operating loss for the period is stated after charging deferred royalty of P2.4 million (1983: P1.8 million) and crediting a refunding charge refund in respect of the year ended December 31, 1983 of P0.2 million (1983: P2.2 million) received by Amx Nickel, Inc. from its natural gas supplier, the Louisiana Power and Light Authority. After deducting interest and commitment fees due to third parties, interest on shareholders' loans and losses on currency exchange fluctuations, there was a loss for the period attributable to the shareholders of P0.8 million (1983: P4.5 million).

The capital expenditure of BCL was financed from operations. In addition emergency funding was reduced over the period by U.S. Dollars 1.1 million leaving U.S. Dollars 6.4 million drawn down at June 30, 1984.

During the period under review, the principal shareholders increased their loans to the group by P3.6 million to finance loan interest and expenses payable by the company and certain loan interest and loan principal repayments payable by BCL. Additionally the Botswana Government increased its loans to BCL by P1.6 million to fund debt service obligations payable by BCL.

The surface diamond drilling programme was concentrated at Phikwe where infill drilling has outlined an extensive area of thick ore accessible from No. 3 Shaft and it is anticipated that 10 million tonnes of ore will be reclassified to proven reserves at year end. A programme of geological mapping, soil sampling and wagon drilling is being undertaken to the east of Phikwe mine to define drilling targets. In addition an exploration programme has been initiated down dip of the current mining area in the north of Phikwe mine to seek additional ore available to the current extraction systems.

The present commitment of the principal shareholders and the Botswana Government to provide emergency funding up to U.S. Dollars 24 million expires on December 31, 1984. If operations are to continue BCL will require a commitment to provide funding in 1985. In addition the four year deferral period for all obligations in respect of senior debt and royalties ends on December 31, 1985 and indications are that a further financial restructuring of BCL will be required for operations to continue thereafter.

M. B. Bayliss  
A. B. McKerran  
Directors

Registered Office:  
Administration Block  
BCL Mine Site  
P.O. Box 3  
SELEBI-PHIKWE  
Botswana

August 17, 1984

Sun Alliance

Sun Alliance can now lay claim to 59.15 per cent, including the 7 per cent holding of Friends of the Earth. The Phoenix Assurance's share capital.

MINING NEWS

Peko and EZ rank for ERA dividends

FOR Australia's Peko-Wallaseid and EZ Industries, a milestone has been reached with the news that Energy Resources of Australia (ERA) has raised its final dividend to 7.5 cents, making a total of 14 cents (8p) for the year June 30 against 10 cents for 1982-83.

Peko and EZ each own 30.5 per cent of the uranium-producing ERA in the form of "A" shares which were not entitled to dividends until the company's earnings justified a 12.5 cent annual payment. Now that this stage has been reached, the partners will gain additional dividend income of A\$8.37m this year.

ERA, which runs the big Ranger uranium mine in the Northern Territory, has a policy of distributing at least 75 per cent of net earnings. These were 81c (81c) or 14 cents per share in the year to June 30, compared with A\$7.98m in the previous year which was the first full year of operations.

Profits of the company have been substantially better than the projections that were made for feasibility and financing studies. In 1980 the Australian public was offered 50 million shares at a price of A\$1.62 per share in the biggest equity flotation made Down Under.

The offer was heavily oversubscribed and in the first day of dealings the shares opened at A\$2.65 before closing at A\$2.65. Yesterday they were around A\$1.62. Peko were 304p and EZ, for which North Broken Hill has been bidding, were 407p.

IN BRIEF

Australia's CRA is reported to have signed for a US\$150m (£113.6m) commercial paper issue. It is supported by letters of credit issued by the New York agency of Fuji Bank. The issue is the main component of US\$256m limited recourse financing announced in March to fund CRA's 56.8 per cent stake in the Argyle diamond venture in Western Australia.

Tanjong Tin Dredging reports an estimated loss before tax and exchange adjustments of £155,000 for the six months to June 30 against a loss of £102,500 a year ago.

The Malaysian tin producer says that the dredge continues to operate in low-grade ground.

Tin concentrate production is keeping up quite well at Gopeng considering the International Tin Council's export controls.

The July figure of 111 tonnes makes a total for the first 10 months of the current financial year of 1,209 tonnes against 1,239 tonnes a year ago. Mambang Di-Awan has reached a seven-month total of 223 tonnes against 223 tonnes.

The South African General Group's Genbel Investments (formerly Gencon Investment Corporation), which was created by last year's merger of UC Investments and Sentrust has acquired a net profit of R50m (£28m), or 182.6 cents per share, in the 12 months to June 30. A final dividend is declared of 85 cents which makes a total for the year to June 30 of 150 cents on the capital increased by 12.8m shares to 32.3m shares as a result of the acquisition of Sentrust.

Australia's Black Hill Minerals says that a "very profitable" open-pit gold mining operation is possible on the basis of a bullion price of around A\$400 (US\$366) per ounce at the Kalgoorlie Project in Western Australia.

Reserves are put at 4m tonnes grading an average 3 grammes gold per tonne. Black Hill has a 45 per cent stake in the project with Australian Occidental holding 55 per cent. A decision on whether to go ahead with mining is awaited from the latter company.

These reserves are separate from those at the nearby Union South Block where Black Hill has a stake of 12.5 per cent with Australian Occidental holding 37.5 per cent.

Australia's CSR resource group has signed an option agreement with a private company, Marula Holdings, to examine the feasibility of a large-scale gold mining operation on adjacent areas held by both companies in the Jerralong area of the New South Wales southern tablelands. If the option is exercised CSR will pay A\$2.2m (£1.1m) to acquire a 75 per cent stake in the area and Marula will gain a free interest of 25 per cent, reports Reuter.

BANK RETURN

	Wednesday August 15 1984	Increase (+) or Decrease (-) for week
<b>LIABILITIES</b>		
Overdrafts	16,000,000	—
Public Deposits	40,137,265	1,685,666
Bankers Deposits	582,970,211	130,111,781
Reserve and other Accounts	1,669,460,687	49,125,003
	2,107,181,021	180,988,010
<b>ASSETS</b>		
Government Securities	250,496,987	111,384,218
Other Government Securities	51,000,000	57,588,417
Premises Equipment & other Secs.	1,048,088,508	5,703,021
Notes	7,558,915	2,807,380
Other	14,124	1,047
	2,107,181,021	180,988,010

ISSUE DEPARTMENT

	£	¢
Liabilities		
Notes issued	12,100,000,000	—
in circulation	12,082,641,085	—
in Banking Department	7,558,915	—
<b>ASSETS</b>		
Government Debt	11,015,100	—
Other Government Securities	9,045,672,865	—
Other Securities	10,045,112,055	—
	12,100,000,000	—

HIGHVELD STEEL AND VANADIUM CORPORATION LIMITED

INTERIM REPORT FOR THE SIX MONTHS TO JUNE 30 1984 AND DIVIDEND NOTICE

	Six months to June 30 1984	Six months to June 30 1983	Year to December 31 1983
	Unaudited	Unaudited	Audited
<b>PRODUCTION — Metric tons</b>			
Hot metal	302,627	294,789	498,282
Continuously cast blocks	—	—	—
Blooms	183,333	132,266	292,790
Slabs	148,238	107,371	256,020
Billets	5,172	—	—
<b>Total</b>	338,943	239,887	548,810
<b>Mill products</b>			
Billets	5,074	3,733	12,504
Sections	167,893	151,887	313,127
Plate	101,307	78,088	163,981
Coil	64,905	7,300	46,009
<b>Total</b>	339,179	241,008	535,621
<b>Ferro-alloys — total</b>	69,128	24,180	89,303
<b>Carbonaceous products — total</b>	71,245	51,674	87,802
<b>GROUP FINANCIAL RESULTS (R000)</b>			
Turnover	206,187	108,089	281,264
Profit before tax	14,172	5,827	23,328
Less: deferred tax	—	—	(440)
Profit after tax	14,172	5,827	22,888
Less: minority interests	1,062	450	1,413
Attributable profit	13,110	5,377	21,475
Taxed earnings per share (cents)	19.2	12.6	32.8
Dividends (cents) — Interim	6	5	5
Final	—	—	10

The unaudited attributable profit for the six months ended June 30 1984, after providing for interest charges of R12,130,000, depreciation of R18,288,000 and after deducting minority interests of R1,062,000 was R13,110, compared with R5,377,000 for the same period in 1983. Once again, due to investment allowances from the high levels of capital investment over the past two years, there was no normal or deferred tax for the period.

In view of these results, the board has decided to raise the interim dividend to 6 cents per share (1983—5 cents), payable in October 1984 at a cost of R4,062,000.

Turnover at R206,187,000 was at a record level for a six-month period and export sales represented 39 per cent of the total sales compared with 32 per cent in the same period last year.

During 1984, the world steel industry has shown signs of recovery after three years of crisis. Steel production has risen in most steel-producing countries, with members of the International Iron and Steel Institute reporting a 12.3 per cent increase for the first six months of 1984 compared with the same period in 1983. The major improvement has been 27.9 per cent in the U.S.A., with an 11.5 per cent increase in Japan and an 11.4 per cent increase in the E.E.C. South African steel production has increased by 48.1 per cent during this same period.

Highveld's iron and steel plants and rolling mills operated at higher levels, with both steel production and the output of rolled products 41 per cent higher than in the same period last year.

The world vanadium market showed a strong recovery in the first half of the year, with strengthening in both consumption and prices. As a result, the Vantora division, which had been out of operation for eight months, was re-commissioned in February 1984 and, by the end of June 1984, the plant was operating at 80 per cent of capacity.

Rand Carbide's and Transalloy's products also enjoyed a significant improvement in both demand and prices and, as a result, these plants operated at high levels of capacity.

The commissioning of the reversing hot strip mill continues, with improvements in production, yield and quality. The first furnace and three pre-reduction kilns in the second iron plant have not yet been commissioned and the plant will not start up until additional production is required to meet increased sales.

The profit for the six months under review showed an increase of 80 per cent over the same period last year, but was below the record levels achieved in the 1980-1983 period. The increase in the basic price of domestic steel products of 7.5 per cent effective from July 2 1984 and the weaker rand will lead to an increase in revenue, and providing that there is no deterioration in the group's domestic and export markets, earnings in the second half of the year are expected to be at a similar level to those achieved in the first six months.

SHARE CAPITAL

The issued share capital has increased to R68,183,770 by the allotment of 55,000 shares to participants in the share incentive scheme.

CAPITAL EXPENDITURE

The total commitment in respect of capital expenditure was R11,555,000 compared with R17,513,000 at December 31 1983.

DIVIDEND

The final dividend of 10 cents a share in respect of the financial year to December 31 1983 was declared on February 13 1984 and paid to shareholders on May 4 1984.

DECLARATION OF DIVIDEND NO. 20 (Interim)

A dividend, No. 20 of 6 cents a share being the interim dividend in respect of the financial year to December 31 1984 has been declared payable on October 3 1984 to shareholders registered in the books of the Corporation at the close of business on August 31 1984.

The dividend is declared in the currency of the Republic of South Africa. Dividend warrants will be posted from the office of the transfer secretaries on or about October 4 1984.

Any change of address or dividend instruction to apply to this dividend must be received by the corporation's transfer secretaries not later than August 31 1984. Shareholders must, where necessary, have obtained the approval of the South African or any other exchange control authorities having jurisdiction in respect of such instructions.

The share transfer register and register of members will be closed from September 1 to September 14 1984, both days inclusive.

In terms of the Republic of South Africa Income Tax Act 1962, as amended, non-resident shareholders' tax will be deducted by the corporation from dividends payable to those shareholders whose addresses in the share register are outside the Republic. The effective rate of non-resident shareholders' tax is 15 per cent.

The abridged unaudited consolidated income statement of the corporation and its subsidiaries for the six months to June 30 1984 is contained in the accompanying interim report of the corporation for that period.

For and on behalf of the Board  
L. Boyd (Chairman)  
J. Hall (Managing director) Directors

Withank August 17 1984

Transfer Secretaries: Consolidated Share Registrars Limited  
40 Commissioner Street, Johannesburg, 2001.  
(P.O. Box 61051, Marshalltown 2107).

Registered Office: Fortuin 29 of the farm Schoonsigcht No. 308 J.C. District Witbank.  
(P.O. Box 111, Witbank 1036).



# SECTION III - INTERNATIONAL MARKETS

## FINANCIAL TIMES

Friday August 17 1984

NEW YORK STOCK EXCHANGE 20-22  
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### WALL STREET

## Regan view received with favour

A FAVOURABLE response to the statement of the U.S. Treasury's views on bearer bonds from Mr Donald Regan sent the bond market on Wall Street soaring yesterday, although a switch to optimism in forecasts of the money supply statistics due at the end of the day also contributed to confidence, writes Terry Byland in New York.

Gains ranged to well over a full point at the long end, where traders hope to be able to continue issuing Cats (Certificates of Accrual on Treasury Securities) to foreigners in bearer form.

The upturn in stock prices reached its peak one hour before the close, when the Dow Jones industrial average showed a gain of 14 1/2 points. Modest profit-taking brought the final quotation of the Dow to 1,209.14, a net gain on the day of 10.16 points. Turnover, at 94.1m shares, was the best of the week.

In the bond market, gains were fully held despite the announcement that M1 money supply had jumped by \$5.2bn in the latest reported week.

The Treasury's renunciation of the right to issue U.S. Government bonds in bearer form was generally expected, as

was its formal agreement to bearer bond issues by U.S. corporations.

But bond traders were hopeful that the new regulations will allow them to continue to issue Cats in bearer form for foreign investors.

Stocks opened higher, encouraged by the resistance shown at the Dow 1,200 level. Improvement was slow and uncertain at first, however, and it was not until the bond market turned higher that buyers began to pick up the blue chips.

FCA held steady around \$5 in early dealings, a shade better than the low of the previous day. But this was swiftly undermined in the early afternoon when Salomoo Bros crossed a 1m block at \$4 1/2.

The computer and high technology stocks strengthened, with IBM standing out at \$122 1/2, a net 3 1/2 up and National Semiconductor, 3 1/2 better at \$15 1/2. The impetus came from excellent sales and profits at Hewlett-Packard, although stock in Hewlett dipped 1 1/2 to \$40 1/2 in heavy trading, as profits were taken on the substantial bill accounts built up ahead of the announcement.

Exxon, 3/4 up at \$41 1/2, and Mobil, 3/4 higher at \$27, set the trend in oils, and a general improvement in transport issues included Northwest Air, 3/4 up at \$38 1/2, and Norfolk Southern, 3/4 higher at \$56 1/2.

General Motors at \$74 1/2 added 5/8 in quiet trade as the wage talks continued. Other leaders to improve were Du Pont, 3/4 up at \$47 1/2; 3M, 3/4 up at \$81 1/2; and General Electric, ahead at \$57 1/2.

ITT, still looking for a bid, added 5/8 to \$27 1/2. Brokerage stocks continued to respond to the improved turnover in the

stock market, with Merrill Lynch 3/4 up at \$31 1/2 in heavy trading.

American Express, troubled this week by fears that FCA might be forced to sell its 4.9 per cent stake, and by hints that a major holder is dumping stock, rallied 3/4 to \$31 1/2.

In the credit market, the federal funds rate eased to 11 1/2 per cent following the completion of the two-week bank settlement operation. Treasury bills calmed down, with no further sign of the "rush to quality" which brought sharp falls in rates earlier in the week. Three-month Treasury bills shed 3 basis points to 10.20 per cent, while six-month bills gained 2 basis points to 10.50 per cent.

In the bond market, there was a reversal of the sell-off at Wednesday's close when dealers were fearful of Treasury action to block future issues of Cats. The new key long bond jumped 1 1/2 points to 100 1/2 as traders returned as buyers. In the corporate sector, prices made little immediate response to the Treasury agreement on bearer securities issues for foreigners.

### EUROPE

## Weight of selling stays light

THE REACTION on the European bourses yesterday to the overnight New York retreat was one of resignation but no great distress. Trading levels, depressed recently by the intervention of holidays, remained low, and the weight of selling was rarely substantial.

A few markets, such as those in Switzerland and Italy, managed to hold firm. Even Dutch and West German shares, most affected by the Wall Street weakness, showed evidence of renewed late demand and finished above the day's worst.

Amsterdam had the benefit of good results from Philips and KLM, but these two were unable to hold out against the downward trend: the airline issue, initially marked Fl 1.50 higher, finished off 50 cents at Fl 178, and the electronics stock dipped 40 cents to Fl 48.40.

Domestic bonds were little changed ahead of a new state issue expected next week.

Thin Frankfurt business left the two most recent arrivals, Nixdorf and Porsche, each DM 8 lower at a respective DM 496 and DM 977. Lufthansa was affected by strike fears, dropping DM 2.50 to DM 153.50.

Banks pulled back as the year's outlook as seen by the Bundesbank was digested: Commerzbank dipped DM 2 to DM 149.50, Rhein-West Electric came down DM 1.50 to DM 157.50 on its forecast for a maintained dividend.

Domestic bonds continued their rally on hopes of coupon tax abolition - gains averaged 1/4 point, and the authorities sold DM 85.2m in paper.

A one-point call money rise to 12 1/2 per cent depressed Paris, although a notable advance was achieved by CIT-Alcatel, up FFr 37 to FFr 1,097 on its turnover boost. Bouygues and Générale des Eaux more accurately reflected the trend, each FFr 10 off at FFr 990 and FFr 515 respectively.

End-account adjustments aided Milan firmness, paced by Fiat which jumped L100 to L4,590. But Olivetti lost L95 to L5,850, with profit-takers making a two-day setback of L160. Bonds ended mixed.

Strength in the Swiss franc aided Zurich sentiment, and Swissair picked up SwFr 15 to SwFr 990. Sandoz and Swiss Re were SwFr 25 better apiece at a respective SwFr 1,150 and SwFr 7,350.

Bonds moved up slightly. Utilities were weakest in light Brussels dealings while UCB in chemicals did best with a BFr 90 rise to BFr 4,990.

Ericsson led Stockholm lower, with a SKr 9 retreat to SKr 385. SKF shed SKr 3 to SKr 177 despite Wednesday's buoyant results.

A sharp Copenhagen retreat followed deficit-cutting budget plans for 1985. Banks fared worst, but declines extended to Novo, Dkr 80 lower at Dkr 2,485.

Norsk Hydro, up Nkr 2 to Nkr 595 in an otherwise weak Oslo, drew possible help from a London broker's recommendation.

Electricals led a Madrid advance.

### AUSTRALIA

LOWER local interest rates encouraged Sydney investors into many sectors although the All Ordinaries index finished only 0.9 higher at 738.0.

Lend Lease firmed a further 14 cents to A\$5.60 following good results while in the oil and gas sector Santos jumped 26 cents to A\$8.58. BHP dropped 10 cents to A\$10.65, but its partners in the Jabiru-4 well, Weeks Australia and Ampol Exploration, each added 5 cents to 75 cents and A\$3 respectively.

### SOUTH AFRICA

SMALL MOVEMENTS in the hullion price left an aimless Johannesburg mixed although some U.S. buyers emerged late to firm up a number of gold shares.

Driefontein benefited with a 15-cent advance to R48.40. Free State Geduld held steady at R50 and Buffels slipped 25 cents to R76.50. De Beers, a frequent American favourite, dropped 8 cents to R9.12.

### TOKYO

## Few gains found amid the gloom

A BEARISH mood remained in the Tokyo market yesterday, reflecting the Dow Jones industrial average's slip below 1,200 on Wall Street overnight, writes Shigeo Akiyuki of Jiji Press.

Small-capital light electricals, drugs and machinery firmed on buying by investment trust management companies despite the general downturn. Blue chips dropped on a wide front.

The Nikkei-Dow market indicator lost 23.26 to 10,418.24 on slow trading of 247.03m shares, although up from the previous day's 218.58m. Losses outpaced gains 345 to 303, with 181 issues unchanged.

Among blue chips, Toshiba was an exception, adding Y2 to Y418 as investors were encouraged by non-residents' purchases. Buy orders for the issue placed with the big four securities companies in the morning reportedly totalled more than 1.5m shares.

Dealers at brokerage houses and individual investors joined in the fray, apparently thinking the stock was undervalued compared with Hitachi and others. A total of 11,94m Toshiba shares changed hands, the biggest for the day.

Small-tot selling pushed down other blue chips. Hitachi lost Y14 to Y858, NEC Y20 to Y1,280 and Sony Y40 to Y3,440, contrary to the expectations of major brokers, who had bought these issues the previous day in anticipation of an advance spurred by non-residents' purchases.

With fund flows into the market declining, investors selected small-capital incentive-backed issues among light electricals and drugs to reap profits from small outlays.

Yokogawa Hokushin Electric closed Y10 higher at Y1,010 on increased purchases by foreigners. Kokusai Electric rose Y30 to Y2,540, while Fanuc spurred

Y400 to Y9,550. Nippon Gakki, which is expanding its semi-conductor manufacturing division, enjoyed sustained popularity, adding Y16 to Y791.

Among pharmaceuticals, Kureha Chemical shot up Y80 to an all-time high of Y1,230, reflecting rumours about development of a new anti-cancer drug and recording the day's second heaviest trading of 11.57m shares. Its previous high was Y1,210, registered on April 25.

Some machinery issues were firm. Amada jumped Y30 to Y1,370, Sonoike Manufacturing Y70 to Y1,480 and Hitachi Seiki Y15 to Y559.

Bond prices eased due to a rise in U.S. interest rates and a major trust bank's sale of about Y30bn worth of long-term government bonds. The yield on the benchmark 7.5 per cent government bonds maturing in January 1993 rose from 7.21 per cent to 7.235 per cent.

### LONDON

## Influences remain adverse

ADVERSE U.S. influences coming on top of a stalemate in British coal strike talks unsettled London markets yesterday.

Gilts were 3/4 off before the Bank of England cut dealing rates in the shorter bands by 1/4 point, signalling approval for a similar drop by the retail banks. Longs and shorts ended only fractionally lower.

Speculative and situation shares commanded attention again at the expense of leading equities although BP dropped 10p to 475p and Grand Met was 4p off at 298p. Elsewhere, Saatchi & Saatchi added 25p to 735p, Royal Insurance gained 22p to 472p, Davy 12p to 88p and Hill Samuel 10p to 288p.

The FT Industrial Ordinary index, off 11 at 3pm, closed 7.5 down at 834.1.

Chief price changes, Page 22; Details, Page 25; Share information service, Pages 24-25.

### HONG KONG

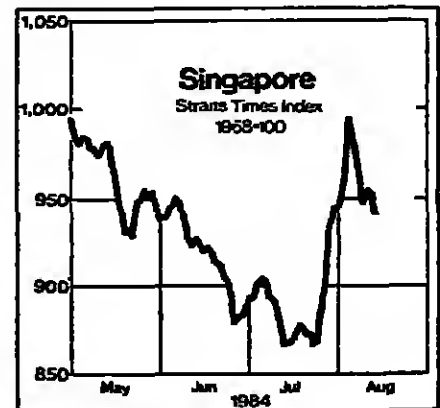
SELECTIVE buying of blue chips by institutions proved the only bright spot in generally nervous Hong Kong trading which saw the Hang Seng index drop 12.64 to 906.19.

Hongkong Telephone was steady at HK\$43.50 before improved results, while banks, recently favoured, were mixed with Hang Seng Bank down 25 cents to HK\$32.75 and Overseas Trust Bank 5 cents up at HK\$2.95.

### CANADA

WEAKER gold shares turned Toronto mixed with modest rises among base metal miners and oil and gas-related stocks.

A more positive picture developed in Montreal, with particular strength in utilities and banks while industrials edged ahead.



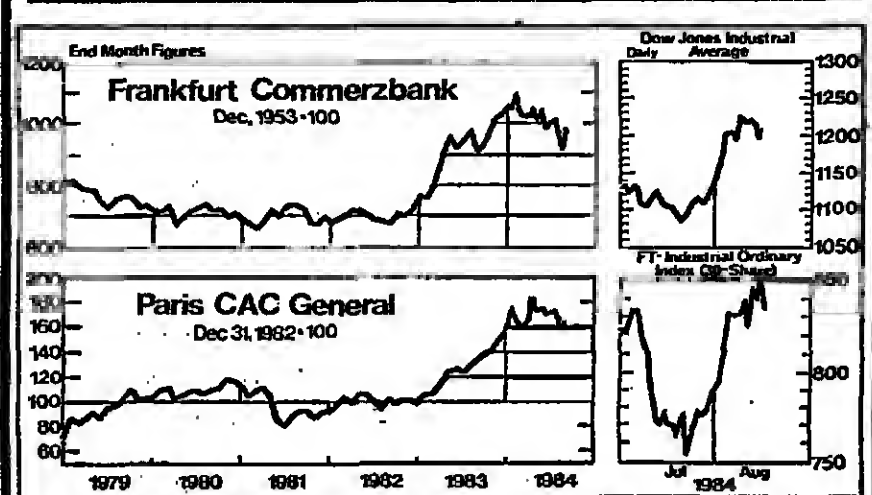
### SINGAPORE

PERSISTENT selling and profit-taking developed over a broad front in Singapore with the Straits Times index down 11.91 to 940.44.

Heavy selling of bank shares by overseas institutions was reported, with UOB 14 cents down at S\$4.78 as it extended its offer to buy the outstanding shares of Far Eastern Bank, while OCBC was 1 cent weaker at S\$1.20.

Pan Electric, recently one of the most sought-after issues and regularly topping the active list, dipped a further 10 cents to S\$2.68 amid concern over the stock exchange's investigation into possible insider trading.

### KEY MARKET MONITORS



STOCK MARKET INDICES			
	Aug 16	Previous	Year ago
<b>NEW YORK</b>			
DJ Industrials	1209.14	1,198.98	1,190.45
DJ Transport	515.14	512.56	531.10
DJ Utilities	128.03	127.97	128.62
S&P Composite	163.77	162.80	163.41
<b>LONDON</b>			
FT Ind. Ord.	834.1	841.6	738.9
FT-SE 100	1,075.8	1,082.9	1,001.5
FT-A All-share	507.12	511.08	465.74
FT-A 500	549.84	554.94	503.31
FT Gold mines	561.8	560.7	666.8
FT-A Long gilt	10.49	10.48	10.71
<b>TOKYO</b>			
Nikkei-Dow	10,418.24	10,441.5	9,019.07
Tokyo SE	605.77	605.87	608.74
<b>AUSTRALIA</b>			
All Ord.	738.0	735.1	694.8
Metals & Mins.	472.7	472.1	559.9
<b>AUSTRIA</b>			
Credit Aktien	53.34	53.57	55.03
<b>BELOGIUM</b>			
Belgian SE	150.44	150.79	133.09
<b>CANADA</b>			
Toronto			
Metals & Mins	1,991.9	1,987.7	—
Composite	2,233.1	2,236.0	2,407.8
Montreal			
Portfolio	115.24	114.88	117.05
<b>DENMARK</b>			
Copenhagen SE	192.81	196.00	188.18
<b>FRANCE</b>			
CAC Gen	162.3	162.7	131.2
Ind. Tendence	104.8	105.2	83.3
<b>WEST GERMANY</b>			
FAZ-Aktien	337.99	339.92	321.6
Commerzbank	979.7	985.8	954.8
<b>HONG KONG</b>			
Hang Seng	906.19	918.83	1,037.72
<b>ITALY</b>			
Banca Com.	212.89	213.18	198.92
<b>NETHERLANDS</b>			
ANP-CBS Gen	158.7	161.1	141.8
ANP-CBS Ind	128.1	129.0	114.6
<b>NORWAY</b>			
Oalo SE	257.57	260.17	210.16
<b>SINGAPORE</b>			
Straits Times	940.44	952.35	957.6
<b>SOUTH AFRICA</b>			
Gold	n/a	974.0	938.8
Industrials	n/a	896.3	927.5
<b>SPAIN</b>			
Madrid SE	136.83	136.26	117.85
<b>SWEDEN</b>			
J & P	1,488.08	1,515.67	1,513.32
<b>SWITZERLAND</b>			
Swiss Bank Ind	378.3	378.3	343.8
<b>WORLD</b>			
Capital Int'l	161.2	162.3	176.5
<b>GOLD (per ounce)</b>			
London	\$322.25	\$322.00	\$322.00
Frankfurt	\$322.25	\$321.00	\$321.00
Zurich	\$322.25	\$321.25	\$321.25
Paris (fixing)	\$350.88	\$347.65	\$347.65
Luxembourg (fixing)	\$352.10	\$348.50	\$348.50
New York (Aug.)	\$353.00	\$354.30	\$354.30

CURRENCIES			
	Aug 16	Previous	Year ago
<b>U.S. DOLLAR</b>			
(London)	—	—	1.3275
DM	2.8545	2.8715	3.7925
Yen	240.45	241.6	319.5
FFr	8.765	8.83	11.6575
SwFr	2.374	2.4085	3.1525
Outlander	3.213	3.2385	4.275
Lira	1781.0	1770.5	2340.5
BFr	57.595	58.155	76.7
CS	1.30375	1.30375	1.7295
<b>STERLING</b>			
Aug 16	Previous	Year ago	
1.3275	1.32	1.3275	
3.7925	3.8	3.7925	
319.5	319.25	319.25	
11.6575	11.6575	11.6575	
3.1525	3.1525	3.1525	
4.275	4.275	4.275	
2340.5	2340.5	2340.5	
76.7	76.7	76.7	
1.7295	1.7295	1.7295	
<b>INTEREST RATES</b>			
Aug 16	Prev		
10 1/2%	10%	10%	
4%	4 1/2%	4 1/2%	
5%	5 1/2%	5 1/2%	
11%	11%	11%	
<b>FT London Interbank fixing</b>			
(offered rate)			
3-month U.S.\$	11%	11 1/2%	
6-month U.S.\$	12%	12%	
U.S. Fed Funds	11 1/2%	12	
U.S. 3-month CDs	11.40	11.40	
U.S. 3-month T-bills	10.25	10.22	
<b>U.S. BONDS</b>			
Aug 16	Prev		
12% 1988	100 1/2	12.38	100 1/2
15% 1991	104 1/2	12.70	104 1/2
15% 1994	99 1/2	12.70	99 1/2
15% 2014	99 1/2	12.50	99 1/2
<b>Corporate</b>			
Aug 16	Prev		
AT & T	Price	Yield	Price
10% June 1990	89 1/2	12.95	89 1/2
3% July 1990	71.00	10.60	71.00
8% May 2000	71 1/2	13.00	71 1/2
Xerox			
10% March 1993	87 1/2	13.15	87 1/2
10% May 1983	86 1/2	13.25	86 1/2
Federated Dept Stores			
10% May 2013	80.342	13.30	80.342
Abbot Lab			
11.80 Feb 2013	89.00	13.30	89.00
Alcoa			
12% Dec 2012	89.00	13.80	89.00
<b>FINANCIAL FUTURES</b>			
Chicago	Latent	High	Low
U.S. Treasury Bonds (CBT)			
3% 32nds of 100%			
Sept	65-24	65-28	64-27
U.S. Treasury Bills (TMM)			
\$1m points of 100%			
Sept	89.89	89.94	89.80
Certificates of Deposit (CMT)			
\$1m points of 100%			
Sept	88.54	88.54	







AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Table of American Stock Exchange Composite Closing Prices, organized by sector (A-Z) and listing various stocks with their closing prices and changes.

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Table of New York Stock Exchange Composite Closing Prices, organized by sector (A-Z) and listing various stocks with their closing prices and changes.

STAYING IN LYON? Complimentary copies of the Financial Times are now available to guests staying at the following hotels: CARLTON HOTEL LYON, HOTEL DES ARTISTES LYON, FRATEL LYON, GRAND HOTEL CONCORD LYON, ROYAL HOTEL LYON, HOTEL SOFITEL LYON, SOFITEL PARIS.



WORLD STOCK MARKETS

AUSTRIA table with columns for Aug. 16, Price, +/-, and stock names like Creditanstalt, Goosner, etc.

GERMANY table with columns for Aug. 16, Price, +/-, and stock names like AEG Tele, Allianz Ver, etc.

NORWAY table with columns for Aug. 16, Price, +/-, and stock names like Bergan Bank, Hordaland Energy, etc.

AUSTRALIA (continued) table with columns for Aug. 16, Price, +/-, and stock names like Goro Prop Trust, Harrogate Energy, etc.

JAPAN (continued) table with columns for Aug. 16, Price, +/-, and stock names like MHI, Nippon Denso, etc.

OVER-THE-COUNTER Nasdaq national market, closing prices

Large table of over-the-counter stock prices with columns for Stock, Price, +/-, and various stock symbols.

LONDON Chief price changes

Table of London stock price changes with columns for Stock, Price, +/-, and stock names like Brown Shipley, etc.

BELGIUM/LUXEMBOURG table with columns for Aug. 16, Price, +/-, and stock names like ABED, Bano Int A Lux, etc.

SPAIN table with columns for Aug. 16, Price, +/-, and stock names like Banco Bilbao, Banco de Vizcaya, etc.

SWEDEN table with columns for Aug. 16, Price, +/-, and stock names like Alfa-Laval, ASEA, etc.

HONG KONG table with columns for Aug. 16, Price, +/-, and stock names like Bank East Asia, Cheung Kong, etc.

JAPAN table with columns for Aug. 16, Price, +/-, and stock names like Akiyama, Asahi, etc.

SINGAPORE table with columns for Aug. 16, Price, +/-, and stock names like Boustead Hldgs, DBS, etc.

SOUTH AFRICA table with columns for Aug. 16, Price, +/-, and stock names like Abacom, Anglo Am, etc.

DENMARK table with columns for Aug. 16, Price, +/-, and stock names like Aarhus Bank, Aalborg Bank, etc.

ITALY table with columns for Aug. 16, Price, +/-, and stock names like Banca Com, Credito Varesino, etc.

NETHERLANDS table with columns for Aug. 16, Price, +/-, and stock names like AEG Holding, Alcan, etc.

SWITZERLAND table with columns for Aug. 16, Price, +/-, and stock names like Alusuisse, Bank Leu, etc.

JAPAN table with columns for Aug. 16, Price, +/-, and stock names like Ajinomoto, Asahi, etc.

CANADA table with columns for Sales, Stock, High, Low, and stock names like Dan Dr, Drexel, etc.

TORONTO Closing prices August 16 table with columns for Stock, Price, +/-, and stock names like 351 Adm, 400 Agri, etc.

CANADA table with columns for Sales, Stock, High, Low, and stock names like 1728 Lacom, 2077 Lohco, etc.

CANADA table with columns for Sales, Stock, High, Low, and stock names like 1029 Saco, 1030 Saco, etc.

MONTREAL Closing prices August 16 table with columns for Stock, Price, +/-, and stock names like 8130 Bank, 8131 Bank, etc.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Large table of American stock exchange closing prices with columns for Stock, Price, +/-, and various stock symbols.

WORLD ECONOMIC INDICATORS every Monday in the Financial Times. Includes a small graphic and text.



MARKET REPORT

Nervous session closes with markets regaining confidence on base rate hopes

Account Dealing Dates
\*First Declared Last Account
Dealings from Dealings Day
July 30 Aug 9 Aug 10 Aug 20
Aug 12 Aug 30 Aug 31 Sept 10
Sept 13 Sept 14 Sept 15 Sept 24
Sept 25
\*Newspaper Dealings may also
place from 9.30 am two business days
earlier.

After US influence, coming on top of the stalemate in the dispute which is threatening peace in the docks, unsettled London markets yesterday. Awaiting developments on the UK interest rate scene, investors were reluctant to operate, and after lower in reflection of Wall Street dismissal some overnight, prices fell further. The pressure on the two main London investment areas was light. But concern over the problems of the Financial Corporation of America's problems and the implications for interest rates of last month's continued inactivity in industrial production, all served to undermine sentiment.

Government stocks were down before picking up in the afternoon. In the authorities' moves in UK money markets, the Bank of England cut dealing rates in the short-term funds by 1/2 percentage point, signalling approval for a similar reduction by the clearing banks. A satisfactory Public Sector Borrowing Requirement for July assisted the recovery, which gained impetus later on to leave gilt-edged stocks only fractionally lower on balance.

Applications for the new cap stock, Treasury 10 1/2 per cent Convertible 1982, were allotted in full at the minimum tender price of 99.25. Dealings began this morning in £20-paid form and, given an extension of yesterday's late rally, the Government broker could be tested for supplies. Overseas investors may lead the charge for stocks.

Speculative Equities commanded attention again at the expense of the leaders which sustained double-figure losses before picking up late in the afternoon. Considerable activity surrounded J. H. Fenner, which were heavily bought by brokers acting for the company and bidding group Hawker Glaxey before the latter expired at 3.00 pm yesterday. After-hours, Fenner announced that the offer had lapsed. Measuring the trend of leading shares, the FT Industrial Ordinary index was over 11 points down at 3.00 pm but closed the session a net 7.5 lower at 834.1.

Royal Ins. rise sharply
A cautiously optimistic statement and a smaller dividend increase helped Royal Insurance share slide the poor interim results and the shares moved up from 440p to 468p, on the announcement, the appointment of a sizeable buyer then lifted the price to 476p before the close of a net 22 up at 472p. Royal's statement also gave a mild boost to other Composite Insurances. Guardian Royal

Exchange closed 4 dearer at 870p, after 559p, while General Assurance down to 440p initially picked up to close only 3 cheaper on balance at 462p. Commercial Union finished a penny off at 128p, after 185p. Sun Alliance rose 5 to 385p helped by the successful bid for Phoenix.

Dull initially, the major clearing banks picked up on the appearance of small buyers to close virtually unchanged. NatWest, however, were still influenced by weakness in the new mid-paid shares, down another 5 at 268p, after 265p premium; the old reached 456p prior to closing a net 5 down at 462p. Two of the potential takeover candidates performed well in the Merchant Banking sector. Hill Samnet rose 10 to 288p and Brown Shipley gained 13 to 385p. Mercury Securities, however, shed 15 to 45p, a fall of 38 since it unveiled the terms of its proposed merger with stockjobbers Akroyd and Smithers and stockbrokers Rowe and Pitman and Mullens. The undertone in Discounts remained firm awaiting further moves on the interest rate front. Union Discount hardened 8 to 893p and Gerrard and National added 3 to 315p.

Investors continued to shy away from the drinks sector. Leading Breweries again displayed modest fall with Bass 3 off at 390p and Allied-Lyons a couple of pence cheaper at 159p. The FT Industrial Ordinary index rose 11 points to 834.1, but closed the session a net 7.5 lower at 834.1.

Leading Buildings opened lower, but some issues met with high support. George Wimpey finished 3 penny dearer at 160p after 107p, while Barratt Developments, down to 92p initially, picked up to 96p prior to closing without a change at 94p. Taylor Woodrow hardened a couple of pence to 216p; the latter's interim results are due on Monday. Among Com-01s, Rise Circle remained 2 dull market and shed 5 more to 89p. Elsewhere, brick concern Itstock Johnson continued to attract speculative interest, with shares rising and gained 4 to a 1984 peak of 234p. Magnet and Southern rallied a couple of pence to 126p, but Meyer Inter-20 fell 1/2 to 106p. Profit-taking clipped 3 from speculative counter Trent Holdings at 96p.

Fraser's feature
After opening lower at 356p on Wall Street influences, ICI picked up on light domestic support and a smaller dividend to balance at 382p. Recently firm Laporte slipped 5 to 340p and

FINANCIAL TIMES STOCK INDICES
Table with columns: Index Name, Aug 16, Aug 15, Aug 14, Aug 13, Aug 12, Aug 11, Aug 10, Aug 9, Aug 8, Aug 7, Aug 6, Aug 5, Aug 4, Aug 3, Aug 2, Aug 1, Year Ago

HIGHS AND LOWS S.E. ACTIVITY
Table with columns: Index Name, High, Low, High, Low, Daily Edged, Daily Bargains, Daily Losses, Daily Gains, Daily Total

Allied Colloids lost the same amount to 360p. A few pence cheaper for most of the day, leading Retailers responded to occasional support after-hours and many closed unchanged on the session. Once again, House of Fraser provided an exception and firmed 8 to 276p in a lively business as speculation of a takeover attempt from U.S. sources continued.

Special situations dominated otherwise quite second-line Stores. Linercof Kilgour rose 7 to 122p, still some 14 below its increased and final share-and-cash offer from Mr Graham Ferguson Lacey's John Kilgour, unchanged at 90p; the former's board was expected to issue a vehement rejection of the revised terms. Waring and Gillow announced the expected recovery in full-year profits but dipped 5 to 123p in the absence of any statement concerning the bid approaches made to the company earlier in the year. Also on results, A. and J. Colson followed virtually unchanged preliminary figures, 8, and U. Stores advanced 4 to 24p, with the 25 per cent preferred rising to 38p, both issues attaining new highs, on the proposed capital reorganisation, K. O. Boardman International firmed 11 to 130p with the aid of a 10p option business, but profit-taking clipped 6 from Sumrie Clothes, 78p, Superdrug, 305p, and Harris Queensway, 158p.

First-quarter figures from Plessey, down 4 to 205p, after 204p, failed to inspire. Elsewhere in the Electrical sector, ICI closed unchanged at 87p following the agreed revised offer from Standard Telephones and Cables; the latter ended 8 cheaper at 274p, after 272p. Mammor and White, also the subject of an agreement with Leas Crown, closed 15 to the good at 125p. Lower interim profits left Louis Newmark 5 off at 190p, Oxford Instruments, down 11 to 267p and Logica, 7 lower at 370p. Revised speculative demand amid persistent talk of a bid from either Trafalgar House or Unilever prompted the latter to trade in Davy Corporation's active bid at around the day's best with a rise of 12 to 82p. Babcock closed 5 to 134p and Trafalgar House a penny to 245p. Among other Engineers, country buying left Whessoe 12 to the good at 90p, Hill and Smith, up 5 at 122p, and the subject of an increased interim dividend, profits, but trading statements left Victor Products 2 couple of pence lower at 78p and MS International 10p off at 169p. Birmingham Mint gave up 6 to 220p on news that Gomba Holdings had reduced its stake in the company.

Irregular movements displayed small gains in the afternoon. State and Lyle finished a couple of pence firmer at 360p, after 360p, but Cadbury Schweppes, 135p, and Unilever, 123p, both lost 2. Broke Bond, the subject of considerable speculative interest on Wednesday on hopes of a counter to Tate and Lyle's bid, unchanged at 115p. Among other issues displayed a firm which gained 15 to 220p on news feature in Bernard Matthews of its agreement with New Zealand Meat Producers Board whereby Matthews will market lamb through Europe. Hotels and Caterers presented a decidedly dull picture. Grand Metropolitan remained on offer

at a point to 578p, while Deornfonten put on a similar amount to 161, St Helena, on the other hand reacted on persistent stall selling and fell away to close a net 1 lower at 192p. The Gold Mines index edged up 1.1 to 661.5. Although generally subdued in the wake of the renewed decline in domestic equities and the early fall in bullion, Consolidated Gold Fields subsequently rallied to close higher at 833p. Rio Tinto Zinc, however, remained under pressure and followed Wednesday's 12 loss with a further fall to 563p. Charter Consolidated gave up 3 like amount to 353p. Australian issues failed to arouse much enthusiasm in London despite a firm showing by Pacific Resources, which advanced 5 and 6 respectively, but Foye improved 5 to 130p on news that Gomba Holdings had increased its stake in the company to 18.13 per cent. Gold-mined Television South shed 4 to 133p and the 14 per cent Loan lost 4 points to 1113 on news of the £8m cash call in conventional stock to fund further expansion. The company is seeking a full Stock Exchange listing.

Recent reports of the recovery in the domestic truck market were partly confirmed yesterday when York Trailer, a penny up at 33p, after 34p, revealed sharply increased first-half profits and the resumption of the Preference dividend from December; the 10 per cent Cumulative Preference shares were up 10p to 105p. Demand for Traded Options continued to decline. 2,635 contracts were down in an evenly balanced business comprising 1,300 calls and 1,275 puts. Commercial Union attracted 305 calls, 165 in the October 200's, and 240 puts, while Shell Transport attracted 290 calls, 90 in the October 650's. Today marks the introduction of option trading in Jaguar.

NEW HIGHS AND LOWS FOR 1984
NEW HIGHS (22), AMERICANS (11), CANADIANS (2), AUSTRALIANS (1), SOUTH AFRICANS (1), NEW ZEALANDERS (1), EUROPEANS (1), ASIAN (1), AFRICAN (1), OCEANIC (1), OTHER (1)

Burmah Oil advance
Leading Oils gave ground at the outset, unsettled by the decline on Wall Street, overnight, but subsequently staged a minor rally. Barmah Oil slipped 15p to 153p, but recovered the afternoon to close a net 6 firmer at 162p amid persistent takeover rumours; the company's interim results are scheduled for September 13. BP, due to report second-quarter figures on September 6, drifted back to 473p before steadying to close 10 lower in balances at 473p, while Shell were finally 7 off at 613.

Among secondary issues Petrolun jumped 40 more to 496p for a two-day gain of 75. South-west Resources rose 6 to 65p reflecting the recent oil exploration decline in Thailand. Quiet Mines
Mining markets mirrored the narrow movements of the bullion price and generally closed with minor changes in either direction. Gold dipped to around 835.50 in initial dealings before rallying and closing a net 25 cents up at 838.25 an ounce. Movements in South African Gold were largely technical. Among the leaders Vaal Reef were in demand and rose almost

on fears of 2 U.S. cigarette price war and shed 4 for a two-day fall of 20 to 298p, while Ladbroke encountered persistent selling and gave up 10p to 213p and Trusthouse Forte fell 4 to 120p. Elsewhere, Gartfinkels lost 10 to 170p.

Fenner bid lapsed
J. H. Fenner claimed considerable attention ahead of yesterday's 3.00 pm closing for acceptance of Hawker's bid buying on behalf of both Fenner and Fenner took the latter's price up to 141p at one stage. However, the after-hours announcement that Hawker had lapsed its offer saw Fenner fall smartly to 118p before settling at 126p, up a penny on the day. Hawker closed 3 cheaper at 425p.

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EQUITIES
Table with columns: Index Name, High, Low, High, Low, Daily Edged, Daily Bargains, Daily Losses, Daily Gains, Daily Total

FIXED INTEREST STOCKS
Table with columns: Index Name, High, Low, High, Low, Daily Edged, Daily Bargains, Daily Losses, Daily Gains, Daily Total

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Table with columns: Index Name, High, Low, High, Low, Daily Edged, Daily Bargains, Daily Losses, Daily Gains, Daily Total

ACTIVE STOCKS
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OPTIONS YESTERDAY
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LONDON TRADED OPTIONS
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Table with columns: Index Name, High, Low, High, Low, Daily Edged, Daily Bargains, Daily Losses, Daily Gains, Daily Total

FIXED INTEREST
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BRITISH GOVERNMENT INDEX-LINKED STOCKS
Table with columns: Index Name, High, Low, High, Low, Daily Edged, Daily Bargains, Daily Losses, Daily Gains, Daily Total

\*FT's yield, high and low record, base rates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Cannon Street, London, EC4A 3DF, at a price of 15p, post 20p.





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Table of Drapery and Stores with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Industrial (Miscellaneous) with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Canadian Stocks with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Banks, HP & Leasing with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Chemicals and Plastics with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Food, Groceries, etc with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Commonwealth and African Loans with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Drapery and Stores with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Table of Beers, Wines & Spirits with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

HOTELS AND CATERERS

Table of Hotels and Caterers with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

LOANS

Table of Loans with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

Public Board and Ind.

Table of Public Board and Industrial with columns: High, Low, Stock, Price, % Chg, Div, Yield, PE

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Handwritten signature: M. J. ...



Financial Times Friday August 17 1984

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

LEISURE—Continued

Table of leisure stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

PROPERTY—Continued

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

DAIWA BANK logo and contact information for London, New York, and Tokyo offices.

MINES—Continued

Table of mining stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

INSURANCE

Table of insurance stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

SHIPPING

Table of shipping stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

SOUTH AFRICANS

Table of South African stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

TINS

Table of tin stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

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TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

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Table of oil and gas stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

PLANTATIONS

Table of plantation stocks including companies like British Airways, British Petroleum, and British Telecom. Columns include High, Low, Stock, Price, % Chg, Bid, Offer, and P/E.

NOTES: Includes information about the FTSE 100 index, market conditions, and a disclaimer regarding the accuracy of the data.

REGIONAL & IRISH STOCKS: Lists various regional and Irish stocks with their respective prices and changes.

OPTIONS—3-month call rates: Lists call option rates for various stocks and indices.



AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trs, British Group, Brown Shipley & Co. Ltd, and others, with columns for fund names and values.

Table listing unit trusts under the heading 'FT UNIT TRUST INFORMATION SERVICE', including Key Fund Managers, Perpetual Unit Trust, and others.

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F.T. CROSSWORD PUZZLE No. 5494

- CROSSWORD clues: 1 Intermittent positions of switch (2, 3, 3), 5 Remains in the countryside (6), 9 Revolutionary iron? (8), etc.

Crossword puzzle grid with numbers 1 through 27 indicating the starting positions for the clues.

Answers to the crossword puzzle: 1 Intermittent positions of switch (2, 3, 3), 5 Remains in the countryside (6), etc.

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Handwritten signature or note at the bottom of the page.



INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial services, including Life Assurance Co. Ltd, National Provident Institution, and others, with their respective details and contact information.

Table listing Overseas and Offshore funds, including Sava & Prager Group, Target Life Assurance Co. Ltd, and others, with their respective details and contact information.

Table listing Money Funds, including CAL Investments (IOM) Ltd, Grandeur Investment Mgmt Ltd, and others, with their respective details and contact information.

Table listing Money Market Bank Accounts, including various bank accounts and services, with their respective details and contact information.

OFFSHORE AND OVERSEAS

Section providing detailed information and analysis regarding offshore and overseas financial services, including tax implications and investment opportunities.

Money Market Trust Funds

Section providing information about money market trust funds, including their performance, risks, and investment strategies.

Money Market Bank Accounts

Section providing information about money market bank accounts, including their features, interest rates, and how to open an account.

Money Market

Section providing information about the money market, including its role in the financial system and current market conditions.

Money Market

Section providing information about money market instruments, including Treasury bills, commercial paper, and certificates of deposit.

Section providing information about money market funds, including their benefits, risks, and how to invest in them.



COMMODITIES AND MARKETS

Animal feed suppliers concerned at drop in sales to dairy farms

BY ANDREW GOWERS

SIGNS that British dairy farmers are over-reacting to the imposition of production quotas by the EEC are causing growing concern in the animal feed industry.

The average size of British dairy herds has declined and milk yields from individual cows have also dropped, according to figures published yesterday by J. Bibby, the animal feed supplier.

Average herd size fell by more than 3 per cent in the first three months since quotas were imposed in April, while yields were cut by more than 5 per cent per cow, Bibby's figures show.

Mr. Conans Simms, the Agriculture Minister, told growers this week: "The Greek producer is getting a subsidy of about £50 (52p) a kilo to be able to stay in the market. No one doubts this support is necessary. But the numbers are becoming exorbitant, and there will come a time when neither the Greek nor the European taxpayer will be able to bear the burden."

The Minister pointed out that the cost of buying and processing sultana is \$1,340 (£1,009) per tonne, and for currants \$1,270, as opposed to a selling price of \$730 and \$660 a tonne respectively.

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Sugar lifted by reports of Soviet interest

REPORTS of renewed Soviet buying interest prompted a sharp upturn in the world sugar market yesterday.

In the morning the London 32½ raw sugar price was fixed \$2 down at \$105 a tonne, a new 12-year low, but prices on the London futures market were a little up from the low levels reached on Wednesday.

Reports that the USSR was interested in buying Thai sugar which had been weighing heavily on the market, sparked off speculative buying in the afternoon which left the December futures position £430 up on the day at £235.50 a tonne.

BERNARD MATTHEWS, who has been weighing in on the market, said: "The USSR is not as flexible in its approach. It thrashes out the grain from the standing crop, which has to be of certain ripeness or the whole process of drying and storage can get seriously out of kilter."

This did not matter so much when harvesting was done in the old-fashioned way with sheaves stooked up across the field for three Sundays in order to dry off before being stacked and finally thrashed out during the winter. The combine harvester is not as flexible in its approach. It thrashes out the grain from the standing crop, which has to be of certain ripeness or the whole process of drying and storage can get seriously out of kilter."

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NEW ZEALAND will supply almost 27½ million lbs annually, more than 20 per cent of the total volume New Zealand anticipates shipping to the UK in 1985.

AUSTRALIAN WHEAT Board expects a 1984-85 crop of 15.5 million tons, based on present seasonal conditions, against the record 1983-84 crop of 21.5 million.

The board made the prediction in a statement announcing the first deliveries of 1984-85 crop wheat from central Queensland, traditionally the earliest cropping region.

INDONESIA aims to produce 25m tonnes of rice in the first year of the fourth five-year plan which started last April, President Suharto said.

After a strong opening, during which November's new crop high prices were taken on long positions, the market closed at 118.50.

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Harvesting the results of good judgment

Farmer's viewpoint: by John Cherrington

IF MY predecessors on this farm had not been so keen on growing hedgerow trees my harvests would have been a great deal easier. Actually I doubt if their presence is the result of any conscious act: it is much more likely that the odd self-sown sapling was spared when the hedges were trimmed and, like Tony, they just grew.

Of course it is all a matter of judgment. The finer points of damage through premature combining must be set against the depression racing over the Atlantic indicated by the satellite photos on the television forecasts. Although I have a strong suspicion that these are

radio forecasts. Any assessment of harvest must be subjective, but in general it must be said that the weather over the growing period has at least as much influence as any treatment the farmer provides. For my farm this year the season has been like the curate's egg—good in parts. Most autumn-sown barleys and wheats are yielding very well, but some of the spring sowings are not so good, and the lab.

Maiting barley is dealt with in the same way, and premiums for the best quality can be very large, making accuracy in the selection of samples a matter almost of financial survival. However, even here the guidelines are not hard and fast. It is a matter of judgment, and the quality of the grain is not available prices will rise for the not so good. It's worth keeping one's ear to the ground, or rather to the telephone, to see just what is happening.

In general this year, I think that as is so often the case, extra quantity is not matched by extra quality. Lab results have been infinitely variable in some cases even from samples drawn from the same fields. Buyers will have to compromise with some of their standards if they want to get supplies, at least I hope they will.

This underlines the benefit of growing several varieties in the expectation that one of them will turn up trumps. This is fine in theory but in practice leads to a great deal of confusion in the store, particularly if one tries to sell quality grain for either milling or malting. Somehow there is never enough room for the special variety, or if provision is made for it, yields are low and the silage is half-full while other space is overfilling.

The assessment of grain quality is no longer an art but a science. The first miller I dealt with used to chew a few grains of wheat, weigh a handful in his hand and pronounce on its acceptability. Today it is tested for specific weight and then for protein content by white-coated scientists in a lab and it is on their equipment's judgment that the decision to buy is made. Today's grain buyer is no more than a messenger between the farm and the lab.

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Tin market's problems deep rooted, says report

by John Edwards, Commodities Editor

THE PROBLEMS of the tin market are deep-rooted and require sweeping changes to return it to health, according to a report issued yesterday by the London metal research unit of Shearson Lehman/American Express.

The report paints a gloomy picture for the longer-term future of the tin market, which remains in structural oversupply.

It predicts only a small growth rate in western world consumption and the need to retain export quotas at a high level, although declining from the present rate of 39.6 per cent to 25 per cent in 1985.

Looking at the short-term outlook, the report says that there is a real deficit of tin available to the world market, which must be supplied from holdings in the hands of the International Tin Council buffer stock at a price, more or less, of the buffer stock's choosing.

It expects that during the next 12 months the London Metal Exchange tin price will align itself in sterling terms with the Straits tin price in Malaysia.

Then, the report adds, the sterling price movement will depend on the exchange rate between the pound and the Malaysian and U.S. dollar. Hence any big change in the value of the U.S. dollar could have a proportionate effect on the London tin price.

It predicts that the Malaysian price will remain in the lower end of the International Tin Agreement, from M\$20.15 a kilo (its present level) to M\$22.05, while London prices move within a range of \$10 to \$20,000 to \$10,000 to \$20,000 depending on the exchange rate.

The expected 1984 price average is put at \$19.15 a tonne for London Metal Exchange cash tin.

Meanwhile, tin values fell back yesterday for the third day in succession on the London Metal Exchange. Cash tin closed \$70 lower at \$2,305 in the last three days.

London prices were also down in the Straits tin price in Malaysia. Then, the report adds, the sterling price movement will depend on the exchange rate between the pound and the Malaysian and U.S. dollar.

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Greene King

Commenting at the annual meeting of Greene King & Sons on the various takeover rumours, Mr. John Bridge, the chairman of the Suffolk-based brewer, said that the one concerning Arthur Guinness was the most surprising.

Mr. Bridge went on to say that there had been other rumours, but that the one concerning Arthur Guinness was the most surprising. He said that the takeover was not a friendly one, and that the shareholders' interests were being protected.

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to fall

The dollar lost ground in currency markets yesterday in conditions that showed a general lack of direction. U.S. economic statistics released this week have...

1.3210. Trade weighted index against the dollar in 1984 is 78.7 against 78.6 at noon and 78.7 on Wednesday and 82.1 six months ago.

STERLING - Trading range against the dollar in 1984 is 1.4965 to 1.5020. July average 1.4965 to 1.5020.

FINANCIAL FUTURES

Gilts firm

Gilts were firmer on the London International Financial Futures Exchange yesterday, but other contracts were generally weaker.

Three-month sterling deposits were also unimpressed by the move from the Bank of England. The September contract opened...

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Currency, % change, % change from 1983, Divergence from %.

£ in New York Latest

Table with columns: Date, High, Low, Prev, % change.

THE POUND SPOT AND FORWARD

Table with columns: Date, Close, One month, % Three months, % Six months.

THE DOLLAR SPOT AND FORWARD

Table with columns: Date, Close, One month, % Three months, % Six months.

OTHER CURRENCIES

Table with columns: Country, Aug. 16, £, \$, Note Rates.

CURRENCY MOVEMENTS

Table with columns: Country, Bank of England, Morgan Guaranty, % Change.

CURRENCY RATES

Table with columns: Country, Bank of England, Morgan Guaranty, % Change.

EXCHANGE CROSS RATES

Table with columns: Country, U.S. Dollar, Deutsche Mark, Japanese Yen, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Term, Sterling, U.S. Dollar, Canadian Dollar, etc.

MONEY MARKETS

Table with columns: Term, Frankfurt, Zurich, Amsterdam, etc.

LONDON MONEY RATES

Table with columns: Term, Sterling, Interbank, Local Authority Deposits, etc.

DISCOUNT HOUSES AND BILL RATES

Table with columns: Term, Treasury (Buy), Treasury (Sell), Eligible (Buy), etc.

FT LONDON INTERBANK FIXING

Table with columns: Term, Offer, Bid.

MONEY RATES

Table with columns: Term, Prime rate, Broker loan rate, Fed funds, etc.

TREASURY BILLS

Table with columns: Term, One month, Two month, Three month, etc.

NEW YORK (Lunchtime)

Table with columns: Term, Prime rate, Broker loan rate, Fed funds, etc.

TREASURY BONDS

Table with columns: Term, Two year, Three year, Five year, etc.

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TREASURY BONDS

Table with columns: Term, Two year, Three year, Five year, etc.

MIKUNI'S CREDIT RATINGS on about 1,600 bond issues by more than 550 Japanese companies

Company Notices

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of \$1.25 (gross) per share of the Common Stock of the Corporation...

THE "SHELL" TRANSPORT AND TRADING COMPANY, p.l.c.

NOTICE IS HEREBY GIVEN that a balance of the Registrar will be struck on Monday, 20th September 1984, for the preparation of the half-yearly dividend payable on the 1st October 1984...

HOPE STREET FUND S.A.

NOTICE IS HEREBY GIVEN that the AGM of the Shareholders of the above-named company will be held on Monday, 20th September 1984 at 3.00 p.m. at the offices of the Registrar...

THE PACIFIC FUND S.A.

NOTICE IS HEREBY GIVEN that the AGM of the Shareholders of the above-named company will be held on Monday, 20th September 1984 at 3.00 p.m. at the offices of the Registrar...

WORLD VALUE OF THE DOLLAR

Table showing the value of the dollar in various currencies as of August 15, 1984.

Bank of England cuts dealing rates

The Bank of England reduced its money market dealing rates in London by 2 1/2 per cent yesterday. The extent of the reduction appeared to catch the market a little off balance since a half point cut in UK base rates had already been discounted as being fairly imminent.

MONEY RATES

Table with columns: Term, Frankfurt, Zurich, Amsterdam, etc.

LONDON MONEY RATES

Table with columns: Term, Sterling, Interbank, Local Authority Deposits, etc.

DISCOUNT HOUSES AND BILL RATES

Table with columns: Term, Treasury (Buy), Treasury (Sell), Eligible (Buy), etc.

COUNTRY CURRENCY VALUE OF DOLLAR

Table with columns: Country, Currency, Value of Dollar.



FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 16.

Table of international bond issues including columns for country, issue name, amount, bid, offer, and yield. Includes sections for U.S. Dollars, Yen, and other currencies.

Table of international bond issues continuing from the previous table, listing various international bonds and their market data.

CAPITAL MARKETS

Eurodollar bonds rally on strength of New York market

BY MAGGIE URRY IN LONDON
MR DONALD REGAN, U.S. Treasury Secretary, provided the talking point for the Eurodollar bond market yesterday when he disclosed that the U.S. Government would not be issuing bonds to foreign investors in bearer form.

Dealers were still awaiting details of a "special registration" procedure for non-domestic holders of U.S. Treasury securities, but the move to mean that the Administration will not become a heavy borrower in the European markets... On the sterling market, the World Bank's £100m 11 1/2 per cent bulbric issue, dated 2003, was oversubscribed at yesterday's offer for sale.

OVER-THE-COUNTER

Table of over-the-counter market data including columns for stock name, sales, high, low, last, and change. Includes sections for continued from page 22 and various stock listings.

Table of over-the-counter market data continuing from the previous table, listing various stocks and their market performance.

WEEKLY U.S. BOND YIELDS (%)

Table showing weekly U.S. bond yields for various maturities and categories, including Treasury bills, notes, and bonds.

Indices

Table of stock indices including Dow Jones, S&P 500, and other market indicators with their respective values and changes.

STANDARD AND POORS

Table of Standard and Poors ratings and market data for various companies and sectors.

NYSE ALL COMMON

Table of NYSE All Common stock market data including volume, high, low, and other metrics.

TORONTO

Table of Toronto stock market data including various stock prices and market indicators.

AUSTRALIA

Table of Australian stock market data including various stock prices and market indicators.

Large advertisement for Canada Maritime shipping services. Features a large image of a ship at sea and text describing the company's routes and services, including the slogan 'Winning Ways on the Atlantic'.